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# The CREDIT WORLD

SEPTEMBER, 1932  
Vol. XXI No. 1

**W**HERE we find strong, aggressive local retail credit associations united with the credit bureau, there is always in such communities a better understanding and truer appreciation of the value of credit. Collection percentages are much better and losses are always lower in thoroughly organized communities.

ARTHUR P. LOVETT  
President National Retail Credit Association

CREDIT IS THE FOUNDATION OF COMMERCE

TREAT YOUR CREDIT  
AS A  
SACRED TRUST



THE CREDIT BUREAU IS THE GUARDIAN OF CREDIT

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# NATIONAL RETAIL CREDIT ASSOCIATION

1218 OLIVE STREET

ST. LOUIS, MO.

# The CREDIT WORLD

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

September, 1932

Vol. XXI

No. 1

DAVID J. WOODLOCK ..... *Editor*  
GUY H. HULSE ..... *Associate Editor*  
DANIEL J. HANNEFIN ..... *Associate Editor*

ELMER A. UFFMAN ..... *Business Manager*  
G. F. O'CONNELL ..... *Circulation Manager*  
M. E. RIORDAN ..... *Advertising Manager*  
R. PRESTON SHEALEY ..... *Washington Representative*

## Advertising Representatives

PARSONS & DEMPERS ..... 1834 Daily News Bldg., Chicago  
PAUL W. & GUY F. MINNICK ..... 33 W. 42nd St., New York

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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

**CHANGE OF ADDRESS:** A request for change of address must reach us at least one month before date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Entered as second-class matter at the post office at St. Louis, Mo., under the Act of March 3, 1879. Published monthly. Subscription, \$2.00.

**EDITORIAL AND EXECUTIVE OFFICES**  
1218 Olive Boulevard St. Louis, Missouri

SEPTEMBER, 1932

Just Published:

## Effective Collection Methods

by E. H. Gardner, of Benton and Bowles, and  
Frank A. Fall, Past Director, Nat'l Institute of Credit,  
National Association of Credit Men.



GARDNER



FALL

manual and reference book which ought to be on the desk of every credit executive in the country"—that's what J. Anton Hagios wrote us when he had looked through this book.

As a member of the management staff of the Policyholders Service Bureau of the Metropolitan Life Insurance Company, Mr. Hagios specializes in credit and collection problems presented to the Bureau by his company's group policyholders. His comments are those of an expert, constantly in touch with current credit practices and on the lookout for new ideas and developments in this field. Hundreds of credit men throughout the country who already have bought it are echoing his enthusiastic praise as they put this new book to practical use.

*Effective Collection Methods* offers you ideas and methods proved sound by the acid test of speeding up collections and reducing credit losses under today's conditions.

This book supplies a complete treatment of the practical work of collection that must be carried on in every business. It shows you how to develop sound, constructive

"THE MANY novel ideas contained in this volume will certainly be of great help to executives confronted with collection difficulties. It will be virtually a Godsend to those collection executives who may think that they have reached the end of their rope in their collection efforts because it will show them many novel and ingenious collection ideas and devices which have been effectively used by other companies whose methods are not generally known. . . . an excellent

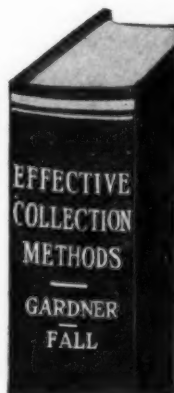
polices that fit in with your company's sales and credit policies, how to build the particular collection system that will prove most effective in meeting the requirements of your own business, how to apply salesmanship in your collection work, and how to meet the special collection problems that arise daily.

The methods described have been drawn from the practice of hundreds of successful firms. The value of the principles underlying them has been proved by their ability to produce results—in some cases astounding results—wherever they have been skillfully and energetically applied.

NO MATTER how good your present collection policies and methods may be, you will find it distinctly worth your while to check them against the suggestions contained in this book to locate opportunities for further increasing their effectiveness.

472 Pages, Price \$4.50

(fill in, tear out, and mail)



Sent for 5 Days' Free Examination

The Ronald Press Co.,  
Dept. M525, 15 E. 26th St., New York

Send me a copy of Gardner and Fall's *Effective Collection Methods*, delivery charges prepaid. Within five days after its receipt I will either send it back or remit \$4.50 in full payment.

Name \_\_\_\_\_

Firm \_\_\_\_\_

Position \_\_\_\_\_

Business \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

\*State \_\_\_\_\_

\*If outside continental U. S. or Canada, send cash plus 25c for shipping.

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# EDITORIAL COMMENT

D. J. WOODLOCK

## The Strenuous Life

RETAIL credit managers who, in addition to their efforts to increase sales volume and hold collection turnover to what it should be, must study business barometers and analyze commercial trends, are certainly leading a strenuous life these days.

One day the sun breaks through, the next clouds again gather, alternating hope and uncertainty in rapid succession.

There were, during July and August, many indications of an upward business trend, although they were not accompanied by tangible evidence of stable and permanent recovery.

Commodity prices showed a desire to go up, yet most retailers were still "swapping dollars" in the attempt to make sales.

The banking situation showed general improvement, yet a large chain of banks failed in Idaho and Oregon.

The stock and bond market made excellent gains and then slipped back a few notches, indicating much uncertainty.

Unemployment did not increase, but the railroads announced another 20 per cent wage cut, which of course decreases purchasing power.

The coal industry announced the opening of their mines, employing thousands of men at a \$5.00 per day scale, and the miners who had been out of work for months refused to return unless paid a \$6.20 scale.

The Government relief organizations were getting under way and beginning to function. This release of vast sums of money is really the one bright spot which, coming just at this time when there is a feeling that the depression has reached the turning point, may be just the force we need to throw our business machine into high.

Although these conflicting trends keep us guessing, they indicate renewed life and prospects for continued improvement are brighter now than at any time during the past three years. Possibly the back fire will clean out the carbon and the machine will run more perfectly when it gets hitting on all cylinders.

All of us should be optimistic. Retailers should renew their depleted stocks and encourage buying at prices which mean profit. Bankers

should encourage legitimate commercial activity by liberalizing their credit policy. Let us put on the big push and end the depression now!

## An Opportunity for Credit Bureau Managers

AT THE Washington Convention of the National Retail Credit Association, a plan for developing consumer credit reporting was approved by both the Convention and the Board of Directors.

It is the object of this plan to place the Service Department of the National Retail Credit Association and its 1,200 bureaus in position to render dependable service to finance companies, mortgage loan organizations, oil and refining companies, insurance companies, and all national organizations requiring reports on individuals.

This is the fulfillment of an ambition which has been in the minds of our leaders for many years and opens up a wonderful opportunity for credit bureaus to increase their service and bring into their files information not before available, thereby making their regular retail reports more complete.

We call this *new business*, but in reality it is old business which our bureaus have never attempted to handle. It is just as much a part of bureau activity as is the usual report made to a retail store, because it deals with credit information on an individual and no bureau is properly organized unless it can render *any type of report* required so long as it deals with an individual citizen.

The credit bureau manager who does not immediately set his house in order to handle this business, is missing an opportunity which opens up an unlimited field for new reporting business. It means a greater national organization and the opening of five or more regional offices. It means convincing the users of millions of dollars of reporting service that the National Retail Credit Association and its 1,200 credit bureaus are equipped to serve them and render dependable reports.

Only in proportion to the manner in which local bureaus cooperate with the National and Regional Offices will this work be successful.



## Now Is the Time for All Good Credit Men to Come to the Aid of Our Legislative Committee

THE Legislative Committee of the National Retail Credit Association, consisting of Jas. R. Hewitt (chairman), care of The Hub, Baltimore; Charles M. Keefer, S. Kann Sons Company, Washington, D. C.; and W. J. Morgan, Brooks Brothers, New York City, has issued an appeal to all local association secretaries and credit bureau managers, urging the necessity of convincing Senators and Representatives that the entire membership of the National Retail Credit Association, as a body and as individuals, is wholeheartedly in favor of our proposed amendments to the Bankruptcy Act.

Local associations should pass resolutions for presentation to their Senators and Representatives. Individual members should write personal letters. Now is the time to get busy before Congress reassembles. Members of Congress are at home and can be reached easily. Many are running for reelection and are particularly interested in the wishes of their constituents.

We must put these amendments through:

H. R. 7430—The Baldrige Bill, exempting the necessities of life.

H. R. 9971—The Andresen Bill, setting a minimum of \$500 debts.

S. 3866—The Hastings Bill, Section 14—Relating to discharge and Section 75—Providing amortization of debts.

Every member should immediately write his Senators and Representatives asking that they support these bills.

### Is Unethical Propaganda Necessary?

THERE have come to our desk, copies of newspapers carrying advertisements of retail stores which have recently discontinued credit and are now selling on a strictly cash basis.

In bold type and subtle phrase, these advertisements set forth the great saving to the customer because no longer will he help pay the enormous cost of operating a credit department or contribute his quota toward paying the debts of those who did not pay.

The extravagant statements indicate either deliberate, unethical propaganda or an utter lack of understanding of the principles of consumer credit granting. Possibly this latter thought is what caused the change to a cash policy. Such advertising is a serious reflection upon the business integrity of thousands of great retailers who are charged with deliberately fooling the public by making excessive charges to take care of the so-called "enormous credit losses."

Now, what are the facts? The price of merchandise in any first-class store doing a monthly charge business is no higher than in the cash store. The "mark-up" on merchandise is an individual store policy. Even credit stores compete between themselves on prices and sometimes undersell the cash store because their sales volume enables them to secure special concessions from the wholesaler or manufacturer.

And when it comes to "enormous losses," the overhead of operating a credit department is not anywhere near the cost of advertising of a cash store to bring in the same volume of business as does the courtesy of a charge account. The losses from bad debts in well-organized stores run less than  $\frac{1}{4}$  of 1 per cent, according to Department of Commerce figures. There is not a store in the country, either cash or credit, which would not willingly pay 1 per cent or more in order to increase its volume.

We have no quarrel with the cash store as such, but we feel that advertising which sets up a sales resistance to credit is creating unethical competition.

### The Credit World Is of Age!

WITH this issue of *The Credit World* we begin "Volume XXI," which indicates that the publication has arrived at its majority and is twenty-one years of age.

To those of us who have read this publication since Volume I, when it was a pamphlet of a few pages, five by eight inches in size, there has been a constant progress and perfection in both the appearance and content of the magazine.

Its circulation has increased from 200 to almost 20,000. It has become recognized as a magazine devoting all its effort toward the betterment of Consumer Credit. It has done more than any publication toward the standardization of credit practice and the promotion of prompt collections.

Its editorial influence has been felt in all parts of the country and its constant preachment in good times and bad, of the ethics of sound credit have made Consumer Credit the most stable of all forms of credit, brought about nation-wide adoption of the Community Credit Policy and saved millions of dollars to the retailers because of their heeding its advice.

We, the publishers and editors of *The Credit World*, are proud of our record and now that we have reached the twenty-first milestone, we hope to merit the continued support of those who have read our publication and through their endorsement increase our field for good by increased circulation. Our only editorial policy is to promote sound credit and prompt payments.

# 18 Great Stores are Connected to Bureau



Telautograph Switchboard at Credit Bureau of Greater New York

## Telautograph Service Now Used at Albany, N. Y. Bureau

### Other Bureaus Using Telautograph Service are:

Merchants Service Bureau, Grand Rapids  
Credit Bureau of Dayton, Inc., Dayton  
Merchants Credit Association, Memphis  
Retail Merchants Association, Norfolk  
Merchants Credit Bureau, Detroit  
Credit Service Exchange, Atlanta  
Paterson Credit Bureau, Paterson  
Providence Credit Bureau, Providence  
Merchants Red Book Company, Dallas  
Merchants Credit Bureau, Inc., Boston

Merchants Credit & Adjustment Company, Toledo  
Milwaukee Association of Commerce, Milwaukee  
Hartford Credit Rating Bureau, Inc., Hartford  
Mutual Credit Rating Exchange, Inc., St. Paul  
Retail Merchants Association, Fort Worth  
Merchants Credit Bureau, Inc., Kansas City  
Retail Merchants Credit Bureau, San Antonio  
National Retail Credit Assn., San Francisco  
Assd. Retail Credit Men & Credit Bureau, St. Louis  
Cincinnati Retail Merchants Credit Bureau, Cincinnati

*137 Banks and Stores are Connected to These Bureaus by Telautographs!*

**Will Your Bureau Come in Now? And for Fall Installation?  
Remember the Rental Per Day is Only About \$1.00 Per Store!**

Send for Literature—Our Man—or Both. No Obligation—Ever!

## TELAUTOGRAPH CORPORATION

FACTORY AND GENERAL OFFICES: 16 WEST SIXTY-FIRST STREET, NEW YORK, N. Y.

We Have Forty-Five Branch Offices Serving Over 450 Cities in the United States

# A Closer Follow-Up for Faster Collections

By LOUIS SELIG

Credit Manager, Rosenfield Dry Goods Co., Baton Rouge, La.,  
President, Louisiana Retail Merchants Association



TWO colored sisters, on a drive for funds for their local church, asked Uncle Rastus for a contribution. Uncle Rastus politely refused, saying that he "didn't have nothing to give." The sisters, undaunted, asked Uncle Rastus: "Don't you owe the Lord something?"

"Sho, sho," said Uncle Rastus, "but He ain't pushin' me like the rest of my creditors is." Isn't this true in retail collections? The credit man who is insistent on the customer living up to his agreement is the one that gets the money.

Charles E. Crosby, in *Furniture Record*, says that you can sell all the goods you like, make all the book profit you like, but you haven't accomplished a thing until you get your money safely in the bank.

Collections are, therefore, a major task in retail credit but effective collections are not enough. They must be made with a minimum disturbance of patronage and the elements of cost considered. A well-run collection department not only has collection percentage and bad debt figures that satisfy, but shows a collection expense which is relatively low.

## Why Delinquencies Occur

It has been said that out of one hundred customers, ninety-nine mean to pay when they make the purchase. Why, then, do receivables dangerously accumulate and ultimate losses occur?

Human inertia is one important reason: Payment of an account involves action—writing a check—addressing and sealing the envelope—calling at the store. It is human nature to put off. Normal inertia is aggravated by the fact that all of us dislike to part with money.

The existence of this condition, not associated with ethics or emergency, should be understood because so many people merely neglect to pay bills. There are several specific reasons for nonpayment of accounts. Some of them, quite serious collection obstacles, add themselves to the general condition.

We all know psychologically it is easiest for the customer to pay when the purchase is fresh in his mind. Lengthening delinquency is usually accompanied by diminishing strength of intention and desire. With passing months, new obstacles to collection develop. The older the account, the harder to collect.

W. H. Gorrell, credit manager for Sherwin-Williams Company, writes in *Business* that when an account is sixty days past due and unpaid, the chances for collection are 90 per cent. When a statement is 120 days past due and unpaid, the chances for collection are 80 per cent, and when a statement runs six months and the account is unpaid, the chances for collection are 50 per cent.

These figures, of course, are merely based on only one large concern, and are not to be taken as constant figures, but merely to attempt to show you the effect time has on overdue accounts, which I am sure the experience of each of you will confirm.

I am of the opinion that collection procedure under present conditions differs little from that followed during good times. It only means a little more hard work, a little closer follow up and possibly a little more leniency and diplomatic handling regarding extension.

After all, the same fundamental remains, and that is at the time the account is opened a definite arrangement should be made and the customer made to realize that he is expected to live up to this agreement. The old saying, "An account properly opened is half collected," still holds good and will continue to for time to come.

It is necessary at the time the account is opened to secure as much data as you can tactfully. Certain information is imperative, such as former address, business address, present address, and, if single, the home address as well as the parents' names and occupations.

Some may contend that this is not necessary but often when we want to trace an account, such information comes in most handy. It is also shown by some well-known authority on collections that during the course of a year, anywhere from 50 per cent to 85 per cent of all accounts on the books need a collection reminder some time during the year.

At this point I am going to ask that you pardon me if I mention some of the things I have used to very good advantage. I am sure that to most of you, like me, a concrete example is always welcome. Remember, I do not claim this to be the very best method, but it has proved helpful to us.

We have found that at the time the customer makes application (especially if of the feminine gender) she is apt to be a bit nervous, and she does not quite understand the meaning of terms. So we have made it a policy that after the account is opened, we immediately



mail the customer a letter thanking her for the privilege of serving her and at the same time asking that at any time she does not receive the proper treatment, she be kind enough to report same to the management.

The last paragraph of the letter is worded in this manner: "Explanatory of our terms, wish to state that we render statements on the first of the month and expect them paid during the month." Enclosed in the letter is also a pamphlet which reads in parts: "Your charge account with Rosenfield's", and on the inside it is headed: "Your charge account is your best friend. It pays to pay when due."

The folder then explains some of the questions we asked at the time the account was opened, and gives other information regarding the credit department of the store. This little pamphlet we have found promotes good will to a great extent.

Collections can be handled in four ways: Through the mail, by telephone, by an outside collector and as the last resort, by the attorney or credit bureau. Through the mail seems to be the most logical and popular method, so most of my remarks will be along this line.

The outside collector seems to be fading, due to the fact that the compensation paid collectors is small, and often the type is not up to the standard of the other personnel of the store. The telephone is a very good collection medium, but it must be handled by someone who is very tactful and the conversation must be well planned.

First of all, statements should be mailed each month, either on the last day of the month or at a designated time, but by all means they should be mailed on that day, regardless. The credit manager should either pull the statements from the ledger or supervise the work.

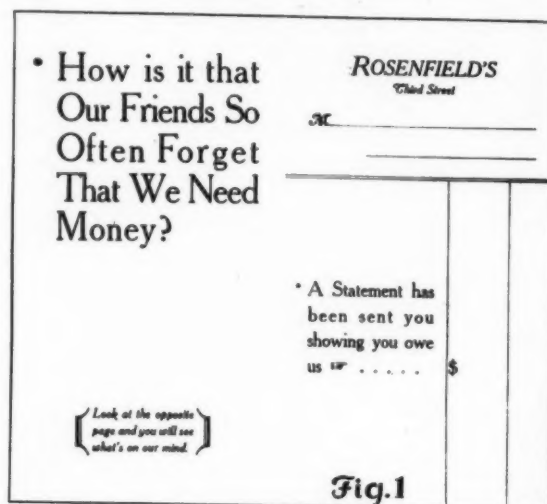
All statements should be studied, and those needing attention should be placed aside in order that the ledger sheet be flagged or a list made. We have found it very convenient to have a stenographer make a list of these accounts that need attention, placing on the list the name, address and amount of account.

After all ledgers have been handled, the credit manager should then again study the statements that he has held aside and those that he feels need attention, so that a sticker may be placed on those that are just beginning to show delinquency, say accounts from 45 to 60 days old. I am a firm believer in stickers as they are not offensive. Most of them are full of color and the sayings are very appropriate. *The stickers sponsored by the National office are excellent.*

On those accounts which you have previously written, a more severe sticker could be used. About the tenth of the month the lists that you have made should be checked with the ledgers or Rand file in order to see if the account was paid since mailing, and, if not, a letter or card calling attention to the account should be mailed.

Again I mention some of the things that we have found helpful: A series of cards calling attention to the account

have been used before sending the letter, the most successful of these being a folder (see Fig. 1). The cover of this folder has a simple five-word title: "Perhaps You Can Tell Us?" This naturally arouses the customers'



curiosity and they immediately open to read the inside, which, of course, is the message you want them to see.

After a letter has been sent to an account, some follow-up system should be used. We use a vertical folder, 8 3/4 inches wide and 10 3/4 inches high (see Fig. 2). You will note on the top of the folder a place for the name, address, or any other information you may desire to use. We then use the space for an analysis of the account, when the account was made and the payments made thereon.

The first letter should then be dropped in the folder and all correspondence sent the customer or received from them should be kept in the folder. In this manner you have the entire history of the account, the steps used to effect settlement and other information necessary to successfully collect the debt.

Some of you may add that this is additional work for someone, but you must admit that it is necessary to have the information that has gone before in order to follow through to a successful collection. It is always well to plan a series of letters, say four or five to the series, each letter being a connecting link to the one previously mailed, in order to form a complete chain or hook-up.

*The letters sold by the Better Letter Service of the National Association are the best that I know of, and are worth far more than the price they ask for them. To you who are not familiar with them, I shall say that they are well planned, you receive a new series every ninety days and each letter is well to the point.*

In writing a series of collection letters, the process should begin with the use of constructive appeals gradually working up to drastic suggestions. There are seven collection appeals to be used in forming collection letters:



1—Good will, which in one aspect is the customer's desire to retain the store's good will, and another the customers' good will for the store; 2—honesty, a sincere desire to perform obligations as agreed; 3—service of fairness; 4—regard for reputation; 5—pride; 6—shame; 7—fear.

In following up collections, the third letter should call attention to the advantage of good credit and should also mention the purpose of the local credit bureau. The fourth letter should be drastic, and, if necessary, it should be registered, informing the customer that it will be necessary to place the account with the credit bureau for collection.

I have found it good practice to either phone the customer or again write before turning the account over for collection, again appealing to her pride. During the process of collecting an account, the telephone should be placed into service, thereby trying to get a definite date when the account will be paid. This information should also be placed on the folder to which I referred, and watched to see if the customer keeps faith with her promise.

I think one of the greatest faults with all of us is that we send the customer all kinds of letters and then after nine or ten months, after we have exhausted every trick we had, we turn the account over to the credit bureau and expect them to use a magic wand and with one letter bring the customer to terms. It would be far better to use a good follow-up system, and at the expiration of four or five months send it to the bureau.

Debit		Credit		Debit		Credit		Debit		Credit	
January				January				January			
February				February				February			
March				March				March			
April				April				April			
May				May				May			
June				June				June			
July				July				July			
August				August				August			
September				September				September			
October				October				October			
November				November				November			
December				December				December			

January				January				January			
February				February				February			
March				March				March			
April				April				April			
May				May				May			
June				June				June			
July				July				July			
August				August				August			
September				September				September			
October				October				October			
November				November				November			
December				December				December			

Fig. 2

If a customer receives say five statements, four letters and two phone calls and then doesn't pay, why prolong the agony? Give it to the credit bureau instead of waiting four months longer!

## "The Best Letters I Know of --" Says Mr. Selig!

"The letters sold by the Better Letter Service of the National Association are the best that I know of, and are worth far more than the price they ask for them. To you who are not familiar with them, I shall say that they are well planned, you receive a new series every ninety days and each letter is well to the point."

—Louis Selig, Rosenfield Dry Goods Co.,  
Baton Rouge, La.

New letter ideas—new slants on collections and charge promotion—appear regularly in the Better Letter Service, now in its *sixth* year. A trial subscription will convince you of its value.

Here's what you'll get:

1. Each month a four-page Better Letters Bulletin—four pages of constructive letter ideas for better and quicker collections, for developing new charge accounts, for stimulating present charge accounts and reviving inactive ones.
2. Each month, copy for (a) one new letter to solicit new charge accounts and (b) one new letter to revive inactive accounts.
3. Every three months (April, July, October and January), copy for six new collection letters—letters that will bring you new ideas on collections.

### SPECIAL TRIAL OFFER:

The regular subscription is \$20.00 a year but for a limited time we will accept three months trial subscriptions for \$5.00, to prove their worth.

Address:

**NATIONAL RETAIL  
CREDIT ASSOCIATION**  
BETTER LETTERS SERVICE

1218 OLIVE ST.

ST. LOUIS

Most all well-planned collection follow-ups work very satisfactorily. There is no set rule, because every store has its rules and set policies but, regardless, the system should be well planned and each letter should be a connecting link with the one previously sent.

It has been said that more money is lost by creditors' lack of promptness in collecting than through any other cause. During the process of collecting an account, there are several stunt letters that can be used, but I say they must be used with tact and the credit man must be sure he understands the temperament of the customer who will receive it.

To me, the most modern and effective collection procedure is done by the ageing of accounts, and I am afraid that we are permitting grass to grow under our feet by not using this modern method. Again some of you may say that it is a world of work. It is at the beginning, but for you who use mechanical bookkeeping machines, after the account has been aged for the first time, it is a very simple procedure and can be done at the same time the trial balances are taken off.

First of all, it gives you an absolutely true picture of every account on the books, the amounts that are 30, 60 or 90 days or over, and you can then proceed to collect accounts in a more systematic manner than in any other way. It is well that we all give this considerable thought, for I believe that before long, it will be necessary to have this information.

The more modern store knows the age of all merchandise in the store at a glance, and why not the accounts? Are not the credit men as progressive as the department managers?

It is most important for us to watch collections very closely, for these are trying times for the credit man. Besides, the government survey a few years ago showed that the average turnover of accounts was seventy-two days. Now, of course, it is much longer.

Just think, if we could reduce this figure, what it would mean. We should realize enormous sums of money for reinvestment and at the same time save millions of dollars in interest, as it is estimated that there are ten to twelve billion dollars constantly outstanding on the books of the retailers of the United States!

### **"Credit Classes and Association Development Go Hand in Hand"**

"The development of a Retail Credit Men's Association, local unit of the National," says V. A. Rogerson, Secretary of the Associated Credit Bureaus of West Virginia, and National Chairman for that state, "can easily go hand in hand with your credit class, and both can be started at the same time.

"Surely every credit bureau can have ten or more National members. Our plan in Clarksburg this fall is to include this \$5.00 membership with the Credit Department Salesmanship Course and all students will then automatically become members of the National."

This is a mighty good suggestion. Those who study the educational courses offered by the National should be members and receive *The Credit World*. This will enable them to keep up their educational work. All articles appearing in *The Credit World* are of an educational nature.

They deal with such live topics as:

How to Use Credit Bureau Service to the Best Advantage; How Hospitals Can Benefit by Using the Credit Bureau; How to Increase Turnover in Accounts Receivable; How to Cut Down Credit Losses Through Proper Collection Procedure; How to Revive Inactive Accounts.

How to Induce Customers to Purchase in all Departments of the Store; How to Apply Salesmanship to the Opening of Accounts and the Collection of Delinquents; How to Conduct Retail Credit Men's Association Meetings; What Type of Letters Bring the Best Results in Collecting Accounts; How to Write a Good Collection Letter; How to Develop a Community Credit Policy.

Should Interest be Charged on Overdue Balances; What is the Cause of Individual Bankruptcies and What is the Remedy; How Remedial National Legislation May Reduce Losses from Bankruptcy; How to Use Statistics Compiled by the Department of Commerce in Connection with the Retail Credit Survey, et cetera, et cetera.

Every credit granter, merchant, banker, and professional man in your town will be benefited by reading articles on these and other subjects which appear constantly in the columns of *The Credit World*.

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By ARTHUR H. HERT

Secretary Manager Retail Merchants Association of Texas

A complete analysis of the actual exchange of credit information which reflects clearly and accurately the flow of retail trade from the smaller towns to the larger cities. This study is valuable to newspaper executives, retail merchants, advertisers, credit managers and Retail Merchants Associations.

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# A Complete Forms and Systems Service for Retail Credit Bureaus

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One way of doing things, one place to fill in each vital point of information, one place for the user to look for that vital information, assures a "check and double check" safeguarding both the bureau and the credit granter.

**Economy**—is a "sink or swim" matter in every business today! Many credit bureaus (not being organized for profit) in their efforts to render bureau service at cost to their members, are unwittingly furnishing service at prices that do not cover cost of production.

Hence, it becomes necessary, in order to maintain this low-cost service to economize in every way. Simplified, standardized forms, methods and systems help to cut costs amazingly, at the same time making better, quicker service possible.

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*Forms and Systems Department*

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# Centralized Credit Control Sells Tires

By HORACE W. POTE

**D**O YOU sell tires on credit?" was the question put to the energetic-looking proprietor of an important tire station. "Sure. See that sign over the doorway? How many do you want?"

"Of course you don't know me. . . ." "That's all right but I will before you get the tires."

And this gives some hint of how credit sales in the tire business in Indianapolis, the home of many prominent names in motordom, are guarded against loss by a most thorough plan of credit investigation and control.



*"One important factor which makes successful tire dealers is volume distribution"*

Local dealers report that the bulk of their commercial and retail sales comes from credit transactions and that the percentage of this business is increasing each year. This is easy to understand. Many are paying out of income from necessity rather than choice.

This fact presents a problem which has attracted the attention of the manufacturers who stretch their protective wings out over the retailing flock, and has merited much study. The credit losses which have come out of past experiences have been felt by the retailer and manufacturer alike. Neither wants to confront this situation in the future.

Since credit sales appear the vogue, the dealer has been urged from above to take every precaution to eliminate loss. This aim of the tire industry has brought about a stronger demand for credit control in the tire market which must be adequate and keep pace with the rapidly changing times.

One important factor which makes successful tire dealers is volume distribution. In the competitive struggle to sell large stocks varied credit practices have sprung up to

entice the purchaser. The dealer looks to credit sales to move additional stocks which will net him longer discounts.

The changes which the past two years have brought into the tire business have focused merchandising attention toward the elimination of every conceivable source of loss. One by one, efficient records, care of stock, business aggressiveness and wise policies of credit extension have been improved by careful planning.

Some two years ago, Indianapolis tire dealers were encouraged to form and operate their own credit reporting bureau. This did not prove to be successful following which the local dealers turned to a special reporting service offered by the Associated Retail Merchants and Credit Men's Bureau.

This proved a boon to the tire industry. Now the need for this service is more urgent than ever before due to the rapid expansion of long distance automotive transportation and the increasing cruising radius of pleasure-seeking and commercial motorists.

Present requirements for profitable credit sales demand fast, accurate, elastic, and moderate-priced service. This



*"Dealers recognize their best assistance, in credit problems, usually to be found in the local credit bureau, one of the National Retail Credit Association affiliates"*

any group of tire dealers would find difficult to provide for themselves. It is economic folly to consider a separate credit set-up to care for tire accounts.

Trained personnel, complete credit records, and contacts with other important sources of information already established are necessary. These cannot be developed and made available on short notice.

It is logical, in due consideration of this fact, that the dealers should recognize their best assistance, available in their credit problems, usually to be found in the local credit bureau, one of the National Retail Credit Association affiliates. There are over 1,200 of these bureaus established throughout the country and they are achieving results.

In Indianapolis no complex methods confuse the dealer



in his desire to get quick and effective information. The local plan serves a group of about three-fourths of the city dealers who receive a limited number of reports each month for a stated fee which varies naturally according to the probable requirements of the particular dealer. When a dealer exceeds the number of allotted reports for which he has paid a flat rate, he is charged for the excess at a specified rate according to the type of report.

This plan provides uniformity of service at comparable costs and efficiency to all members. The service is free from any accusation, prejudice or bias which usually condemns to failure the trade association plan of credit interchange.

In many instances the local records of the credit bureau carry important information among their 300,000 cards in file without requiring an outside investigation. This fact adds speed to reporting which makes possible giving information of value, and a prompt decision of acceptance or rejection of the application follows without delay.

Should an investigation become advisable, it does not in the majority of instances prove an obstacle to the sale. The average business man or woman is sufficiently well acquainted with current practices and knows that inquiries are usually made when credit is requested by the purchaser. Those who have a clean record have nothing to fear from the dealer's request for his bureau report.

What a different situation arises when the purchaser is irritable and wants his tire without a moment's delay. In many instances this fact is just as effective as the red traffic signal; it likewise holds up the sale. The experiences of other dealers reflect that in spite of the normal desire to do business and make a profit it is better to refuse when in doubt than to sell and suffer resulting loss.

The credit men of the tire dealers meet periodically with the Credit Bureau Manager for their own educational advancement and to promote uniformity in their relations with the credit customer.

The affairs of most men have undergone some change with the ebb and rise of business and it is not wise to assume the credit status of a customer on the dealer's books remains the same. The mere fact that a card or ledger entry shows the account of a previous charge paid as agreed is not sufficient assurance for a new charge working out in the same manner.

Under the Credit Bureau control plan a reference clearance can be made so quickly showing any change in the purchaser's paying habits that to sell without this particular service in many instances would prove unwise.

These Indianapolis tire dealers have one outstanding advantage in this plan in that all credit customers who have been on the books of various dealers within the past three years, including all past adverse experience, are on record in the credit bureau's files. Here is a wealth of information and naturally it should be in the bureau's hands.

Otherwise, under a plan operated by the dealers themselves, one dealer might gain access to information detrimental to another. Some dealer might hear of this and passively fail to cooperate. But what the dealer does gain in the central control plan is the knowledge of past customer performance that the other dealers have experienced.

The name of the dealer furnishing this information is not revealed. If a customer's record has not been clear, the bureau will not hesitate to state the facts. The dealer's credit man can make his own decision about extending credit to a prospective purchaser without fear of the information being "shaded."

It logically follows that these local dealers, finding that they can obtain a practical and effective credit reporting service which strengthens their selling, can also utilize the bureau's collection service which adds considerable first-hand information to the credit files. Here again are fa-



*"Now the need for this service is more urgent than ever before due to the rapid expansion of long-distance automotive transportation and the increasing cruising radius of pleasure-seeking and commercial motorists"*

cilities in actual operation which in most cases are superior to the efforts of the individual dealer or other classes of services.

Detached from the dealer's personality the bureau's collection procedure can be free from the limiting conditions which would otherwise hinder successful accomplishment. Thus, it is possible to coordinate individual forces for the development of powerful credit policies.

Credit sales have been stimulated in Indianapolis by the general knowledge that only profitable business is acceptable. Prospective buyers who cannot qualify for credit are forced to pay cash or must seek out some nonaffiliated dealer to satisfy their desires. This condition reacts unfavorably either by increasing the losses of such dealers or forcing them out of credit business.

The natural forces of competition have made the struggle for tire sales a lively one. The fact that all credit sales go through the same investigational channels and merit the same careful scrutiny assures the dealer-member that former loopholes are well guarded.

Whatever profits there may be when the adding machine total is taken, there is much consolation in knowing that losses are kept to a low and insignificant minimum. Future tire business brightens with the knowledge that the high losses formerly experienced are past history. The local credit bureau deserves much praise for its part in this achievement.

A most convincing example of the growing need for credit control in tire sales and also the changing trends is portrayed in the experience of a dealer who had been asked to serve a long-distance trucker. The particular company had offices in Kentucky, doing some interstate business in the direction of Chicago. A breakdown required another tire to get the shipment rolling again.

The dealer was pleased with the profit he would make as the tire was large and a size not frequently sold. The truck was important-appearing and reflected the impression of a responsible line. Caution, however, urged the dealer to request a report from the credit bureau.

Within a half hour the report defeated any further thought of a credit sale and profits. The trucking company could not obtain credit in the city of its headquarters. The urgent need for the new tire forced suitable arrangements which permitted the sale to go through and the dealer got his money through his bank.

*What might have happened if, without inquiry, the dealer had allowed good credit to follow poor paying ability?*

In the first year of this dealer-credit-control-plan relationship the success of tire credit sales is largely due to the services of the local credit bureau which has solved many problems confronting merchandising. The causes which have evolved this type of selling can be considered as permanent hence the need for credit control is constant.

The fact that changing conditions will always be presenting new problems to the tire dealers, requiring bureau assistance, means that an elastic service coupled with an understanding of tire merchandising is essential.

## Retailers At President's Conference

Among those present at the National Conference of Business Executives called by President Hoover during the last week in August, were eleven of the outstanding retailers of the nation:

John G. Bullock, president, Bullock's, Inc., Los Angeles.

Sewell L. Avery, president, Montgomery Ward & Co., Chicago.

Arthur L. Kramer, president, A. Harris & Co., Dallas.

Herbert J. Tily, president, Strawbridge & Clothier, Philadelphia.

S. H. Halle, Halle Bros. Co., Cleveland.

George D. Dayton, president, The Dayton Co., Minneapolis.

P. A. O'Connell, president, E. T. Slattery & Co., Boston.

Samuel W. Reyburn, president, Associated Dry Goods Corporation.

S. W. Dittenhofer, vice-president, Hahn Department Stores, Inc., New York.

D. F. Kelly, president, The Fair, Chicago.

Louis E. Kirstein, vice-president, Wm. Filene's Sons Co., Boston.

That the government recognizes the importance of the retailer in our commercial and economic scheme is evidenced by the naming of these men for the conference and selecting several for important committee assignments.



## We say "Yes Ma'am" to our Cooks

Women cooks prepare the food for the Hotel Lexington restaurants. That's why it's so delicious and wholesome. And Lexington restaurant prices, like its room rates, are sensible—35c for breakfast, 65c for luncheon and \$1.00 for dinner in the main dining room.

\$3 a day and up for Lexington rooms—\$4 and up for two persons.

## HOTEL LEXINGTON

In Grand Central Zone, Lexington Ave. at 48th St.

NEW YORK CITY

CHARLES E. ROCHESTER, General Manager

# WORTH NOTING « «

## A Digest of Credit News For Quick Reading

### *And Now the Farmers Strike*

While we do not agree with the farmers of Nebraska, Iowa and the Dakotas as to their radical methods of restoring price by preventing those willing to sell from marketing their produce, the publicity they have received in the press should bring home to American business leaders the seriousness of their plight. Likewise it emphasizes the unsuccessful efforts of the Farm Board and other government agencies which have failed year after year in the big problem of maintaining agricultural prosperity or stabilizing commodity prices.

The farm problem will not be settled until we cease using the farmer as a political bally-hoo and our legislators apply common sense and business efficiency to this fundamental activity of our nation's business.

» » »

The Collection Statistics Department of the Retail Credit Association of Pittsburgh shows July collections off 5.41 per cent, compared with July, 1931.

Women's wear stores showed the greatest decrease, 6.92 per cent—shoe stores the smallest, 3.80 per cent. Department stores ranged from 0.98 per cent to 7.00 per cent, with an average of 3.98 per cent.

» » »

A large department store, in the desire to save postage on letters to delinquents, adopted a plan of sending a post card with a typewritten message asking the customer to call at the store or telephone a certain number.

There is no indication as to what the message is about, no reference to account or credit department, although the phone number given is a private phone in the collection office.

The credit manager reports excellent returns, with no unfavorable reaction on the part of the customers to this type of collection procedure.

» » »

Fifty-four out of fifty-five applicants for citizenship were rejected because they answered "The People" to the question "Who elects the president of the United States?" The correct answer is "The Electoral College." Many native-born citizens would have made the same mistake.

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Reprints of any article appearing in *The Credit World* may be obtained at nominal charge, cost depending on quantity desired.

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### *Frank Batty in Hospital*

On September 1, Past National President Frank Batty of Hale Brothers, San Francisco, was stricken with an attack of acute appendicitis and an operation was necessary. He is recovering at the Franklin Hospital and hopes to be back on the job in two or three weeks.

» » »

The Nebraska Credit Company, the reporting bureau for Lincoln, Nebraska, have moved to larger quarters in order to more efficiently handle their business. Their new address is National Bank of Commerce Building. National Director Max Meyer is General Manager.

» » »

The Credit Bureau of Greater New York reports that twenty key stores show a decrease in collections for July of 3.53 per cent, as compared with the same month last year. For the seven months, January to August 1, the decrease was 2.61 per cent, as compared with last year.

Fifty-four per cent was the highest, and 21.78 per cent the lowest collection percentage for the month.

These twenty key stores are department, women's wear, shoe, and men's wear stores in different parts of the city.

» » »

### *Eliminating Second Mortgages*

It was predicted at a recent meeting of the United States Building & Loan League that the second mortgage would soon be a thing of the past.

The elimination of this instrument which has caused so much grief because of its drastic terms and excessive charges, is a step forward in real estate financing.

A first mortgage is a matter of credit. A second is usually a gamble, placing an unusual burden on the party giving it and handicapping the payment of the first.

» » »

### *Grocers Favor Standardized Terms*

The Retail Grocers affiliated with the National Association of Retail Grocers are considering the standardizing of credit terms of the grocery trade to weekly or semimonthly settlements.

We regard this as an excellent plan and one which can be made effective if all grocers get back of it and insist upon these terms being respected.

While it runs contrary to the slogan of the National Retail Credit Association "Bills Payable by 10th of Month Following Purchase," we feel that the grocer, because of the almost immediate consumption of the merchandise he sells and the small mark-up of profit, is entitled to be made a preferred creditor.



# THE PRESIDENT'S MESSAGE

ARTHUR P. LOVETT

President National Retail Credit Association

**I**N THE hands of credit managers, merchants and professional men of this country rests the responsibility for the establishment of *Community Credit Policies*.

Through the medium of local retail credit associations and credit bureaus, this important task is gradually making headway. Where we find strong, aggressive local retail credit associations united with the credit bureau, there is always in such communities a better understanding and truer appreciation of the value of credit.

Collection percentages are much better and losses are always lower in thoroughly organized communities.

The Retail Credit Surveys conducted by the U. S. Department of Commerce Bureau of Credits, have, one after the other, proved conclusively that the above statements are absolutely correct. It stands to reason that there is little argument against such a statement.

It also stands to reason that there is little or no excuse for any community not tackling its own credit and collection problems in a modern method.

Just because there is a credit bureau in the community we cannot expect that fact to accomplish all of the benefits to be derived from a community credit policy. It takes cooperative action of all lines of retail credit extension.

Therefore, I call upon all members of the National Retail Credit Association to shoulder the individual responsibility which is theirs and take an active interest in the affairs and functions of their local Retail Credit Associations and Credit Bureaus, to the end that the doctrines of sound and safe credit extension may be carried ever onward.

During these times we naturally experience a feeling of unrest that has done everything but upset the foundation upon which the National Retail Credit Association has established the soundness of retail credit.

To stray away from these established principles and grasp at "will-o'-the-wisp" ideas and methods is a sure road to ruin. Stay in the boat; grasp your oar; catch the stroke and pull together.

If there is not an organized retail credit association in your community then be the man or woman to see that one is formed. Unite your efforts in the common cause of controlled credits.

Eliminate the undesirable risks. Do away with competition in terms. Take a community stand on payment of accounts. Teach the people of your community to **TREAT THEIR CREDIT AS A SACRED TRUST.**



P.S. The National Office has just mailed, to every credit bureau in the Association, a supply of the little membership folder reproduced above—with complete instructions for the formation of retail credit associations as local units of the National Association. I urge your support of this movement.



## A Four-Point Membership Program for 1932-33

I. In order that our membership may remain stable and that a satisfactory increase may be made, it is necessary that we concentrate our promotional efforts on the organization of a Retail Credit Association, local unit of the National Association as a department of the credit bureau in every town where one does not now exist.

An analysis of our membership shows that there are 280 bureau towns wherein there is at least one and less than ten National members. It is our hope to form a local Association—100 per cent National—in each of these communities.

II. Our membership records show that there are recognized local associations in 150 bureau towns. The membership of approximately 20 of these bureaus is 100 per cent National. About 130, therefore, have 10 or more members. This runs from a minimum of 10 to a maximum of about 400. Our second problem, therefore, is to increase the membership of these recognized locals, especially in those communities having less than 100.

III. Our third problem is the development of Retail Credit Men's Associations in 800 communities in which we have no National members.

IV. It is our intention to ask well-organized local Associations such as Cleveland, St. Louis, Kansas City, Los Angeles, San Francisco, Portland, Oregon, Omaha, Neb., Lincoln, Neb., Springfield, Ill., Rochester, N. Y., Springfield and Dayton, Ohio, et cetera, to sponsor the formation of local Associations in at least five near-by unorganized communities.

If 50 well-organized Associations will sponsor and form five new local associations each, we would have a total of 250 new locals which at ten members each, would mean 2,500 new members this year. We figure that of the 280 with at least one and less than ten National members, we can secure at least 1,000 new members out of these communities.

It is estimated that our general promotional work will bring in an additional 500 which will total 4,000 new members this year. This estimate is made, of course, with the proviso that we secure proper cooperation in the carrying out of this comprehensive program.

» » »

### Pooled Accounts

Many credit managers are rendering a service to old and dependable customers by pooling all their accounts and amortizing them by small payments. Why not place the pooling of accounts on a uniform basis? It will help the customer and the credit granter.

The Forms and Systems Department of the National Retail Credit Association has, after a study of various plans, adopted a standard form for this purpose. A sample will be sent to those interested, if they address a letter to the Forms and Systems Department, National Retail Credit Association, 1218 Olive Street, St. Louis, Mo.

# Two Distinct Credit Courses

## Start Fall Classes Now!

Recognizing the need for specialized credit training, the Educational Department of the National Retail Credit Association furnishes two separate, comprehensive study courses in Retail Credit:

### 1. Retail Credit Practice and Procedure

Over 1,000 students enrolled in many cities as shown by the following list of enrollments:

Detroit, Mich.	350	Shreveport, La.	18
Memphis, Tenn.	90	New Haven, Conn.	17
Charleston, W. Va.	60	Fort Smith, Ark.	16
Seattle, Wash.	50	South Bend, Ind.	16
Hartford, Conn.	45	Enid, Okla.	15
Lexington, Ky.	40	North Platte, Neb.	15
Omaha, Neb.	33	Bay City, Mich.	12
Lincoln, Neb.	31	Madison, Wis.	12
Marion, Ohio	31	Great Falls, Mont.	10
Wichita, Kan.	31	Pueblo, Colo.	10
Colorado Springs, Colo.	29	New Albany, Ind.	10
Austin, Tex.	28	Twin Falls, Idaho	8
Gainesville, Ga.	27	El Dorado, Ark.	8
Steubenville, Ohio	27	Gary, Ind.	6
Morristown, N. J.	22	Grand Island, Neb.	5

### 2. Credit Department Salesmanship

"The credit department is admittedly one of the strongest sales producers in an organization," says W. W. Weir, Credit Manager, The May Company, Los Angeles. This course enables the credit man to capitalize the sales possibilities of his department.

The course uses as a text the new book, *Credit Department Salesmanship*, written by Bartlett and Reed (co-authors of *Retail Credit Practice*, one of the texts used in our regular course). The syllabus covers twelve lectures.

*Write today for detailed information on either course*

## Educational Department National Retail Credit Association

Executive Offices

St. Louis, Missouri

# Charge Interest On Past Due Accounts? We've Done It for Eleven Years!

By WALTER M. WILLIAMS

Secretary-Treasurer, Boise Butcher Company, Boise, Idaho

ON PAGE 12 of the July issue of The CREDIT WORLD, under the heading, "Resolutions Adopted by the Twentieth Annual Convention," I am pleased to note that, in the second paragraph of Resolution No. 2, the following recommendation is made:

Be it resolved, that the National Retail Credit Association endorse and recommend the policy of charging interest on past due open book accounts as a means of betterment of credit and collection conditions and the substantial increasing of profitable operations.

So far so good. But I am wondering if the retail credit granters of this country, and especially the membership of the National Association will follow up this suggestion by taking definite and united action along this line.

May I suggest that the National Association devise and present to the membership a uniform method of applying an interest or service charge on past due accounts and urge its adoption throughout the country.

Through cooperative effort and the advertising campaigns of the various locals throughout the country the buying public has accepted our suggestion that all bills should be paid in full by the 10th of the month following date of purchase.

Inasmuch as we have been able to bring about this general acceptance of a definite due date, is it not possible, through the same cooperative methods, to sell the idea—the fairness—of an interest or service charge on past due accounts?

An increasing number of firms are printing upon their billheads a statement to the effect that interest will be charged on past due accounts. I dare say that very few really enforce it. Seldom is any effort made to collect interest except in those cases where it has become necessary to take legal action.

I doubt if this printed notice has any effect in stimulating promptness of the part of the customer. Too long it has been used without enforcement. It has become a dead letter—a meaningless statement—to the average debtor.

My suggestion is that some form of service charge should be made and incorporated as a part of the bill in such manner that it can be deducted only if the account is paid in full when due.

*This is the method I have been using for the past eleven years and it has proved very successful in stimulating promptness.*

Each month when bills are rendered, 5 per cent of the

total bill is added as a "bookkeeping charge" and each statement is conspicuously rubber-stamped, "If paid before 10th of month, bookkeeping charge deducted."

Every credit applicant is informed of our method of billing at the time the account is opened and the reason therefor is explained.

(Continued on page 30.)

**BOISE BUTCHER COMPANY**  
LIMITED  
WHOLESALE AND RETAIL  
BUTCHERS AND PACKERS  
811 Idaho Street  
Boise, Idaho. July 20 1932  
Telephone 58 & 59

Bal. Fwd.	
July 2	Steak C 1.10
7	Steak 75
10	Sausage 25
	Steak 78
14	P. Sausage 53
17	Steak 75
18	Steak Sausage 72
	Steak 1.07
22	Steak 61
	P. Sausage 1.45
28	Steak 60
31	Steak 80
	1.28
57	Bookkeeping 9.73
10	45

**CREDIT TERMS**  
UNLESS OTHERWISE ARRANGED ALL ACCOUNTS ARE DUE AND PAYABLE IN FULL BY THE 10TH OF THE MONTH FOLLOWING DATE OF PURCHASE  
5% of the total bill is added to cover cost of bookkeeping but this bookkeeping charge is deductible IF THE ACCOUNT IS PAID IN FULL BY THE 10th.  
Explanation of the Bookkeeping Charge: Our prices and service are based upon the assumption that all bills will be paid promptly when due. When accounts remain unpaid it means additional expense to us in carrying them. We feel, therefore, that it is only fair, in such cases, that the account bear this added expense.  
Please bear in mind that this bookkeeping charge is not added for the purpose of exacting additional money from our patrons but that we much prefer prompt payment so that this charge may be deducted.  
**BOISE BUTCHER CO., LTD.**  
All Bills Due and Payable the 10th of month

Note: The sticker reproduced on statement above is printed in red

# Why the Doctor Should Belong to the Retail Credit Bureau

By R. A. SWINK

The National Service Bureau for Doctors, Inc.  
Cincinnati, Ohio



**A**SSUMING for the moment that we can get doctors to use credit ratings on the plan suggested in my previous article (August *Credit World*), let us then ask what *kind* of credit bureau they should patronize.

There are two schools of thought on this matter. One group, to which I belong, thinks that the doctor as an individual, or doctors acting collectively through their Academy of Medicine, can get the best results by using the membership privileges of the local retail merchants credit bureau in each city.

Another group believes differently. They think the Academy of Medicine should organize its own credit bureau to be operated solely by and for members of the association, with probably the dental association added.

A consistent spokesman for this latter group is Harold S. Stevens, Editor of *Medical Economics*. At my request he sent me a list of twenty cities in which he said the physicians' associations were now operating their own collection and credit rating bureaus.

I sent a questionnaire to each of these organizations asking for information about the type of work they did. To date eight cities have not yet replied. The letter addressed to St. Paul came back marked "no longer here." Replies from Franklin, Ind., and Lakeland, Fla., stated that the bureaus are no longer in existence.

The bureau at Jonesboro, Ark., secured a charter and was ready to begin business just as the depression began, but it has not as yet done anything. Philadelphia replied saying there was no credit bureau connected with their society, although they do have a collection agency used "by a very small percentage of the members."

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## Editor's Note:

This is the second and concluding part of an address by Mr. Swink before a meeting of the Associated Credit Bureaus of Ohio at Columbus, May 9, 10, 1932.

It is published in "The Credit World" in compliance with a resolution passed at that meeting requesting its publication. The first installment was published in the August issue.

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Eight of the twenty cities did reply. Each of these reports verified what I was sure was the case, namely, that the so-called credit bureau operated by the physicians' association is really not a *credit* bureau at all, but simply a *collection agency*.

Replies from two bureaus (which I will designate as "Bureau A" and "Bureau B") are detailed below. Both of these bureaus keep credit records on debtors at their central offices.

My first question read as follows: "Do all, or if not all, what percentage of your physician members use the *credit rating information* available to them?" In answer to this Bureau A replied that about 30 per cent of their members use this part of the service, and that once a month a report on a limited number of cases (presumably "deadbeats") is mailed out to all members.

Bureau B replied that only about 10 per cent of their members use the credit rating information service.

My second question was: "Of those who do use this part of your service, do any of them *consistently use it for all new patients*, to determine whether or not to extend credit to them?" Bureau A replied "Yes, a few," and Bureau B said, "No."

The third question: "Of those who do use this part of your service, do you find that some apparently use it exclusively on certain cases for the purpose of determining what fee to charge rather than on all new cases for determining whether to grant or refuse credit?"

To which Bureau A replied: "No doubt there are some who do this but we cannot lay a direct charge of such a matter." (Evidently implying that use of credit reports for that purpose is not proper.) Bureau B replied to this question as follows: "In most cases, if credit information is asked for by a member, he wants it for credit information purposes rather than for fee predication."

The fourth question: "Do all, or if not all, what percentage of your members, use the collection agency service of the Bureau?" To which Bureau A replied: "95 per cent use it; at least 80 per cent use it exclusively." And Bureau B replied: "75 per cent use the collection service."

(Continued on page 20.)



# Personalized Collection Methods

By HELENE E. GAINES

Credit Manager, Gaines Heating Company, St. Louis, Mo.

**T**HERE is no part of our business so important, in my estimation, as the collection of our accounts. I know that if I do not keep right after them we will feel the effects suddenly. If we get neglectful and allow any accounts to drag along it will weaken our business ambitions and keep us doubtful of new prospects and we lose confidence to a great extent in future business.

So, after thoroughly studying the matter over, I decided that if collections were not good our business would not be good; and it was not up to the people altogether but rested largely with me, as I had assumed the obligation of collecting our accounts. I felt that it should not be a drudgery, but a pleasure, for me to go after our accounts.

I felt that the stability of our business, the morale and conduct of our whole organization, depended largely on my successful collection of our accounts. I was fully confident that I could collect all of the dragging accounts and was determined to go after them in every imaginable way until I cleared our books of all backward accounts.

## *Some Lively Experiences*

I had several very interesting experiences but have always received payment of all accounts. I know that I have taught some people something worth while, as well. One gentleman who held a public office, a good position at a good salary, had our company do heating work at his residence.

When the work was finished we were just to send the bill and he would take care of it. I suppose he did, for I sent him quite a few and he never returned any of them as I had expected him to do, with a check attached.

It took me about four months to collect this account. I mailed him, called at his residence, and he would "stall" me off in a very dignified way. I telephoned him at his residence, also at his office, and he would answer, "I'll attend to it," and quickly hang up.

When I called at his office, there would always be public office holders and business men there. He would try to speak easy to me and ask me to one side, and

make me promises. I had enough of his promises, I told him loud enough to be well heard, and that I came to get paid and not for any more promises. The publicity had its effect for he arranged to pay the next day, and he did pay.

We had a phone call from a church. The weather was getting cold and the heating plant needed work badly—parts of the boiler were cracked and other repairs were necessary. Our estimator gave a very close figure, as we favor churches as much as is possible to do so.

The account was about \$150. The representative of the church said that the account would be paid in cash shortly after the work was finished and the board could act on it. It took about nine months to collect this cash account (and they did not want the time-payment idea). I mailed statements and called in person to collect this account and always received good promises.

Finally, I decided to investigate and find out who some of their active members were. I called on them and had them make arrangements to settle this account. It was beyond my understanding why business men could apply business methods out of church and not apply the same rules of business in church matters, I informed these members. They seemed to like my frankness as we have received work from the different members.

## *Credit Reports Used Effectively*

Some time ago a lady, supposed to be wealthy, having a fine home in a desirable neighborhood, ordered work done by us. We received information as to her paying habits and found that she had no overdue accounts for the past year or more, but previous to that she had several accounts which were unpaid.

I called in person and informed her that we would be pleased to do her work but she would have to pay us cash, one-half in advance upon delivery of material and balance when work is finished. Well, she just went all up in the air and said that was ridiculous to propose such a thing to a lady in her standing.

I told her those were our terms and that she was at liberty to select some other firm to do her work, and that we had the same privilege in selecting how we were to be paid. After cooling down some she said that she owed no one and thought that she was entitled to thirty days.

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"I was determined to go after them in every imaginable way until I cleared our books of all backward accounts."

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**"If our firm had always made use of the credit association records we would have saved ourselves much trouble."**

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I informed her of several accounts which were not paid. Then she readily admitted them, but said that they were old accounts. Yes, I said, but they are still unpaid and will be on the books of the people you owe and listed with the credit associations so that all who inquire may know that these accounts have not been settled. She told me to have our firm go ahead with the work that she had ordered and she would pay spot cash. And she did.

I later heard that, through this experience, she had paid all of her old accounts up to date. She seemed very surprised to learn from me of how accurately the different credit associations keep records of slow accounts, as well as those who try to hide from their creditors and not pay at all.

I told her that it was not unusual for us to be called on to give the paying habits of some of our customers and that we state the facts in each case. Of course poor payers are denied credit at places of business when they are applying for necessary merchandise.

Modern credit associations are surely a blessing to heating contractors as the cost of membership is certainly insignificant when we realize what money and time can be saved in looking up bad risks and not doing the work until we know when and where the cash is coming from.

If our firm had always made use of the credit association records we would have saved ourselves much trouble and inconvenience. It would have kept us from troubling slow paying customers because I did trouble some of them pretty much. I certainly did jar them loose from some of their old traditions.

I have never, as yet, given up hope of collecting every account owed to us. In fact, I take much delight in getting them in. I keep right after them and never let them rest until they pay us. I never allow any hatred, revengeful, or resentful thoughts to enter into my collecting, but I do insist firmly that they have what rightfully belongs to our firm and that I intend to have them settle their account.

I do not hesitate to tell "dead beats" that I will use all possible ways, tactics, and methods until they pay up. In sending out collection letters I always send a separate personal letter, or statement, to reach the destination in the same mail in which the collection letters are delivered.

It is not unusual, if we have a slow account, to have as many as three letters in the same mail from different angles. I have found that they do much toward influencing the payment of past due accounts.

#### **Keeping After an Account**

One gentleman who owned several flats and dwelling houses, and also owned and managed a large downtown store, ordered some heating work done at flats he owned.

He told us to do the work and we would receive the check between the first and tenth of the following month. But he did not pay as agreed.

It took me five months to get this. I went through my ordinary ways of trying to get a settlement, but with no avail. Then I decided to go stronger after him. I called at his store and informed him that I intended to be his daily guest until he paid his account. He thought it funny at first but was thinking more serious after I had stayed four full days at the store.

He tried to "blarney" me and tell me to go out to our place of business and find something better to do, and he would pay up all right. I refused to go. Each time a customer came in his store I would present my statement and tell him that this account must be paid, as it was past due, and I proposed to stay there until it was paid. He was very much annoyed at times and tried persuasion, bluffing, and even bulldozing. I just ignored his tactics. He phoned our office, at different times, trying to get me called off of my endurance stay. On the evening of the fourth day he paid his account in full. After he paid he wanted to see if he could hire me for his collector. He said that he could easily pay his accounts more promptly if he had a collector like me.

After this experience with this gentleman our firm did quite a few other jobs for him. We found that he was well known for his slow-paying habits, but he seemed to like our high grade merchandise, workmanship, and our ideas of collecting our accounts.

But on all work done, after the one experience, we arranged for him to leave the price of the job to be done with his tenant where the work was to be done, and he did it. He complained and hesitated occasionally about handling it this way but when he found that it had to be this one way, or no work done, he conformed to it.

A man, who was foreman in a factory, had us do work for him and he set his pay day as the date when he would settle the account. But he did not pay it then. I tried, for several weeks, to see him personally to collect but he was always slick enough to keep me from seeing him. Finally, I inquired around his neighborhood to see if anyone knew where he and his wife spent their evenings and one lady informed me that they attended a certain lodge twice a month.

I called at this lodge on a meeting night and received permission from the men at the door entrance (one of which I happened to know) to enter. A little while before the lodge meeting and an entertainment began, I looked about and located this gentleman.

He seemed very disappointed when he recognized me. I informed him of my mission and told him that if he did not have the ready cash I possibly could assist him in

*(Continued on page 32.)*

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**"Modern credit associations are surely a blessing to heating contractors, as the cost of membership is insignificant when we realize what money and time can be saved."**

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## Should the Doctor Belong to the Retail Credit Bureau?

(Continued from page 17.)

The fifth question: "Of the total activity and service of your Bureau, what percentage, roughly speaking, would you say goes to the *collection agency* function, and what to the strictly *credit information* function?" To which Bureau A replied: "90 per cent of our activity is devoted to collections; 10 per cent to credit information reporting activity." Bureau B replied: "Practically all our service activity is given to collections only."

The sixth question: "What percentage of the accounts turned over to you for collection do you ultimately collect?" Bureau A says they collect "approximately 33 per cent" while Bureau B says they collect "about 25 per cent" of what is turned over to them.

My last question was: "What are your commission rates?" To which Bureau A replied: "For local accounts, 20 per cent, with a minimum fee of \$5, provided it does not exceed 50 per cent of the account. Where suit is entered, the rate is 33⅓ per cent. For out of town accounts, the fee is 25 per cent, and for cases handled by attorneys, 50 per cent."

Bureau B says their rates are "15 per cent for local accounts, with a minimum fee of \$2.00, provided it does not exceed 50 per cent of the account. Where suit is entered, the fee is not less than 25 per cent, and out of town accounts are not less than 25 per cent," meaning, of course, that they may charge more if they see fit.

Thus the answers to the last two questions would seem to indicate that if Dr. A. of Bureau A turns over \$1,000 of delinquent accounts to his bureau, the bureau will collect \$333 and after deducting their commission return to him a net of \$267, whereas if Dr. B of Bureau B turns over \$1,000 of delinquent accounts to his bureau, they will collect \$250 and after deducting their commission return to him \$212.50.

As I said a few moments ago, if a doctor will use a credit bureau's services at all, I personally favor his using the Retail Merchants' Bureau in preference to any bureau especially organized by the Academy of Medicine.

### Reasons for Supporting the Retail Bureau

I have several reasons for this:

One is that the pooling of credit information is somewhat analogous to other socially cooperative functions, where one central agency is better than half a dozen unrelated agencies, each duplicating to some extent the work of the others.

Just as we have found by experience that one telephone company, one gas company or one street car company gives better service at less cost in a given city, so we will find, I believe, that one central credit rating agency will be better than half a dozen. If the doctors organize and operate their own bureau, then why not

have the coal dealers or the milk distributors, or any other specialized group do it too? One is just as logical as the other.

A doctors' bureau can in time, say in ten years, gradually accumulate credit information on probably 150,000 persons. But all the information would be pretty largely limited to the bill paying habits with *doctors only*.

Why should a doctor in a city like Cincinnati, for example, limit himself to a 150,000-name bureau whose information reveals only a very small part of a debtor's record, when another bureau is already available with *over half a million* names and covering the debtor's credit record from *many angles*?

Another reason why I favor the use of the retail credit bureau by the doctor in preference to any other is found in the *potential* power of the *retail* credit record in influencing the debtor to pay the doctor. If a patient finds that his failure to pay his doctor will appear as a black mark on his record at the Retail Bureau and thus affect his credit standing with the big stores, it is certain to cause him to think twice before sidetracking the doctor's bill in favor of his other creditors.

*The old idea of letting the doctor wait will be replaced with a new idea of giving the doctor equal consideration with all other creditors.*

The difference of opinion, then, between those who favor the Retail Bureau and those who believe in a special doctors' bureau is not so important after all, for in reality those who favor the doctors' bureau are not greatly interested in the "credit information" function of such a bureau, but rather are thinking primarily in terms of collection agency procedure.

*But when it comes to the credit information function, I have not yet been at all convinced that there is any advantage whatever in working through a limited bureau in preference to the large centralized retail bureau.*

For the past several years there has been considerable agitation in newspaper and magazine articles about the high cost of being sick, especially for people of moderate means like ourselves. It is pointed out that the rich and the poor are amply provided for, but that those who are

## MR. RETAILER

If you are in need of a real credit executive now is the time you can interest men and women of exceptional ability.

Business suspensions and retrenchment have placed many credit managers who have a successful record in the market for new connections.

*All Correspondence Confidential*

**DAVID J. WOODLOCK, Mgr.-Treas.**  
**NATIONAL RETAIL CREDIT ASSOCIATION**  
**St. Louis, Missouri**

not rich enough to afford the luxuries of highly specialized private medical service, nor yet poor enough to go to the free clinics, find medical and hospital service so costly that a major illness is almost an economic calamity for the average middle class family.

In an effort to solve this problem, a National Committee on the Cost of Medical Care has been making an exhaustive study of the whole matter for a number of months past and only recently made public what it intends to recommend in its final report next November. The proposal of the Committee is going to be that there should be established in each state a Public Health System, to be supported by taxation and to provide every citizen with all necessary medical care free.

The system proposed would be somewhat analogous to our present public school system, in that doctors would be employed on a salary basis just as school-teachers and superintendents are.

Should such a system ever be adopted, it would doubtless mean the end of private practice for most doctors as we know it today, and with it, of course, would go the necessity for credit or collection bureaus of any kind so far as the doctor is concerned.

As long as doctors do continue in private practice they will have credit and collection problems to solve.

There are many other things that might be discussed here regarding the doctor and his credit problems, but space forbids. It is enough to say, by way of conclusion, that the doctor has a real problem on his hands in this matter of granting credit. It is by no means as simple as might appear to one unfamiliar with the peculiar nature of the doctor's work and his responsibility to society.

The physician who takes his profession seriously and is not commercially minded cannot and never will deal with his public as firmly in the matter of credit granting as can and must the business man. There will always be that spark of humanity in his make-up that will cause him to be lenient and charitable in the giving of his services.

And this is as it should be. It is that attitude which dignifies the profession and makes us honor the doctor who has it. The chief problem is to strike a happy medium and save the doctor from becoming a mere "easy mark," by so organizing his work that all who can pay for his services do so, while a fair share of the charity load is gladly borne because he knows he is not being taken advantage of.

#### POSITION WANTED

Business woman, with good personality. Seven years Secretary and Credit Manager of Association in city of 6,000 population. Ten years prior did book-keeping, typing and general office work. Would like a position as Secretary, or Collection Manager in larger city, or manager in some department in a large city. Address Box 93, Credit World.

## We Compliment the Junior Chamber of Commerce

At the National Convention of the Junior Chamber of Commerce, held in California, it was decided to put on a nation-wide campaign to encourage the prompt payment of bills as a means to help national stabilization.

The National Retail Credit Association congratulates the Junior Chamber of Commerce on selecting an effort so interesting to us and which we consider of major importance in our business life during good times as well as bad.

The prompt payment of accounts has been the incentive which has builded the National Retail Credit Association from a handful of enthusiastic credit managers to a nation-wide and universally recognized authority on consumer credit.

We pledge the support of our entire organization to the Junior Chamber of Commerce and will gladly work and cooperate with them in their program because we feel the very fundamentals of our national prosperity are based upon the prompt payment of accounts by the everyday citizen who has the privilege of a charge account at retail stores.

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## McMullen On University Staff

A. D. McMullen, Secretary-Manager of the Oklahoma City Retailers Association has just been appointed to the staff of the University of Oklahoma as an instructor in Credits, Collections and Retailing.

Honors follow in such rapid succession for "Prof." McMullen that we have a hard time keeping up with them! On September 9, he was elected President of the new consumer credit corporation, a subsidiary of the National Retail Credit Association. A few months before he was elected President of the Oklahoma City Lions Club. He is Past President of the National Retail Credit Association and Past Chairman of the Service Department of the National Retail Credit Association.

## VOLNEY JAMES PASSES

Volney James of the James Sanford Mercantile Agency, Nashville, Tennessee, died September 13.

Mr. James was a charter member of the National Retail Credit Association and spent practically all his long life in promoting sound credit practice. He was a respected citizen of Nashville and a typical Southern gentleman, always courteous, radiating sincerity and rugged honesty, which won the admiration of thousands with whom he came in contact.

His patriarchal bearing and flowing white beard made him an outstanding figure at National Retail Credit Association Conventions and when, a few years ago, he appeared with a clean shaven chin, many failed to recognize him.

The city of Nashville has lost a good citizen, the National Retail Credit Association a loyal member and thousands of men and women a sincere friend.





# Creating and Holding Membership Interest

By F. E. EPTON

President, Retail Credit Association, Portland, Oregon

**W**E HAVE a very interested membership in our Association which is divided into groups as follows: "Key," "Loan," "Jewelry," "Automotive," "Fuel Dealers," "Credit Women's Breakfast Club," "Apartment House Owners" and "Furniture Dealers."

The "Key" group membership, consisting of department and larger apparel stores, meets once each week and discusses problems in credit and otherwise which pertain to their particular businesses. The chairmanship of this group rotates each month, thereby transferring the responsibility of calling meetings and carrying on the business of this group for the month in which the chairman is selected to serve.

An important problem handled by this group is the "Returned Merchandise Evil," corrective action on which is taken in unison thus correcting the abuse for all the groups at the same time. This is accomplished by letters written on Association stationery and signed by our secretary.

Another evil handled by this group is that of "Over-Buying." This is also curtailed in the same manner as above. Many improvements benefiting all Association members have been noted since this group organized.

The "Loan" group consists of members who are in the business of salary and chattel loans. This group has an election each year, at which time a president, vice-president and secretary are elected to serve for one year.

Meetings are held twice a month and problems pertaining to their separate businesses are discussed. A great deal of interest is taken by the members of this group and many benefits have been derived from these meetings.

The "Jewelry" group is composed of members dealing in retail jewelry. Their election is held once a year, at which time a president and secretary are elected for a term of one year. Their meetings are held at the call of the president and the retail jewelry business in our city has made many improvements since the organization of this group.

The "Automotive" group is one of the larger groups in our organization and consists of members from the dealers and service branches of this industry. Their election is held once each year, at which time a president and secretary are elected to serve for one year. Their meetings are also held at the call of the president, where

automotive problems are discussed and from which much benefit has been derived.

The "Fuel Dealers" group is composed of members dealing in fuel and ice. Their election is held once a year, at which time they elect a president and secretary to serve for a term of one year. Meetings are held at the call of the president and many duplicate bad accounts have been brought to light since this group organized.

The "Credit Women's Breakfast Club" is composed of the women members of our organization and is one of the largest groups in the Association. The election in this group is held once each year, at which meeting a president, vice-president, secretary and treasurer are selected to serve for a term of one year. Regular meetings of this group are held twice each month at 7:00 a.m. on specified days and many problems in credits are discussed very enthusiastically.

The "Apartment House Owners" group consists of about 325 apartment house owners. Their affairs are handled through the office of their executive secretary, who in turn contacts the Credit Reporting Company, thereby furnishing information which they have concerning the tenants of their different members.

This information has been very valuable to all members of our Association for it gives us their experiences as to how their tenants pay and if they have moved and also the name of the transfer company that moved them.

The "Furniture Dealers" group is composed of most of the furniture dealers in the city and their information coming to the Credit Reporting Company files is also very valuable as to repossessions and paying habits of their different customers.

We receive a great many tips about their customers who have moved and this information is very valuable to all members of the Association in locating "skips." This group has an executive secretary who contacts our Association in the same manner as the Apartment House Owners' secretary.

In addition to these group meetings, a meeting of the Board of Directors of the Association is held once each month where problems and business of the entire membership are disposed of. We also have a meeting of the entire Association on Wednesday noon of each week, at which time we exchange credit information and dispose of problems needing quick action.



Our Wednesday meetings are opened with a short program of entertainment after which we transact business of the Association. We always have a prominent speaker who talks on some important civic or business problem and this is usually very educational and interesting to the members in attendance.

We have been following a schedule which eliminates our noon meeting on the third Wednesday of each month, substituting instead a dinner meeting held in the evening to which the entire membership is invited. We have found that by having this evening meeting a number of our members attend who could not otherwise do so because of lack of time and help in the different credit offices.

We do not exchange credit information at this meeting but do call on the presidents of the different groups and chairmen of the different committees for a report of the progress made in their respective divisions of the Association.

These night meetings have created a great deal of interest and are very largely attended by all branches of our membership. We also arrange to have a prominent speaker on our program to speak on some topic of interest.

The Credit Reporting Company, our local bureau, is owned and operated by our executive secretary. This company, being very efficient and highly organized, is reported as one of the best credit reporting organizations in the country. About 500,000 credit records of people in Portland and its metropolitan area are on file in this office.

Telephone equipment is so installed that all calls go direct to a reporter who in turn gives a report at once or takes the order for a special or written report which is furnished within a very few hours. These reports are very complete because the membership realizes the value of turning in any information contained in their records.

A committee, whose chairman is a member of the Board of Directors, takes care of all business between this office and the members of the Credit Association.

The "Adjustment and Collection Department" is in its fourth year of operation since organization. This department is headed by a manager, who in turn is governed by an "Adjustment Department Committee." The chairman of this committee is a member of the Board of Directors of the Association and all business of this department is reported to the Board by this chairman.

The accounts and pro-rates of all members are handled by this department and a large volume of business has

been developed with very beneficial results being derived by the members. Accounts are handled on a percentage basis, the rate charged depending upon the age of the account.

*The Credit Beacon* is our house organ which is mailed to each member of our Association on Friday each week. All of the announcements of meetings as well as news and other activities of the membership are published in this paper. A committee, headed by our executive secretary, has charge of this division of our Association affairs.

At the present time we have a very aggressive campaign on for new members which is being handled by a live "Membership Committee," assisted by the entire membership and a direct by mail solicitation which is followed up by a contact man employed by the Association. This campaign is resulting in a very decided increase in membership and is heartily supported by everyone in our Association.

The one important thing responsible for the wonderful results obtained in our Association is the undivided cooperation of all men and women, *whose firms are members of the National Association* as well as our local organization. This inspires the enthusiasm of everyone concerned.

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## "Angling for Payment" Makes Credit Men Good Anglers!

It appears that National Retail Credit Association officials are expert fishermen as well as expert credit executives.



Here is a photograph of the newest member of the Board of Directors, L. M. Jahn of Houston, Texas, with a catch made at Port Arkansas. In addition to

the big fellow, he shipped home over 200 pounds of bass and kingfish.

Milton Solon of Minneapolis, also a Director and one of the "old guard," while on a vacation at Lake of the Woods, captured a twenty-five pound muskellunge, which put up a terrific fight lasting forty minutes. Photo at right is proof it didn't "get away."

Vice-President Charles M. Reed of Denver, Past President A. D. McMullen of Oklahoma City, Director C. F. Jackson of St. Louis and Past President W. T. Snider of St. Louis are all classed as experts in fishing as well as Credits.



### POSITION WANTED

Combination credit manager, cashier and office manager, with fifteen years' experience with one firm. Age 45, married. Employed at present but desire to locate west or south, if possible. Holder N.C.A. diploma. Former N.C.A. President will recommend as to ability. Address Box 92, Credit World.

# Why Customers Don't Pay Promptly

By G. W. SOSEBEE

Credit Manager, Perkins-Timberlake Co. Inc., Wichita Falls, Texas

I AM sure this question has caused every merchant and credit man more worry and loss of sleep than all other problems connected with our respective businesses and it is my purpose at this time to pass without consideration, the usual excuse—lack of employment, sickness, operations, divorces, etc. Instead, I'll give you a few of the practical reasons, from the customer's viewpoint, as to why customers do not pay their accounts promptly.

If I can offer some suggestions that will enable you to handle your customers in the future so it will not be necessary to ask the Eternal Question, "How Are Collections?" I will feel fully repaid for the time and thought given this subject.

For the purpose of this study and discussion, I have grouped the reasons under four headings:

1. Lack of any definite understanding between merchant and customer at the time the account is opened, as to when payment is expected.
2. Overbuying by customer: Due to lack of proper control in authorization of charges by merchant.
3. Moving from one city to another.
4. Halfway letters, from merchant to customer.

In order that we may have a recent definition of "Credit," I quote our President, Mr. Hoover.

"Credit is the blood stream of our economic life. Restriction or destruction of credit cripples the revival and expansion of agriculture, industry and commerce."

The extent to which credit has expanded has been stated by our manager-treasurer, Mr. Woodlock, as follows:

"Credit in the last decade has grown from an unwanted feature in retailing to a universal service; from an unimportant item in commerce to a volume of twenty-eight billion dollars annually."

Lack of any definite understanding between merchant and customer at the time account is opened or purchase is made, as to when payment is expected, is the greatest reason accounts are not paid promptly. At the time the account is opened is the most opportune time we will ever have to impress upon the customer our credit terms, and when we expect payment to be made.

When a customer is at your desk or window seeking

credit, he will then listen to you very patiently, and promise to pay according to your terms but after he has purchased your merchandise, and left the store, if you try to impress upon him your terms and when you expect payment, he says: "Why did you not tell me at the time I opened my account, that you wanted payment on or before the 10th of the month?"



Customers seeking credit are always optimists, but when their accounts are delinquent and you are using your best endeavors to make collection, they sometimes become pessimists, and I have never been able to collect but few accounts from pessimists. In fact, you cannot very often sell a pessimist, except when your merchandise is marked down to half price, and then he wants to know if there is any further decline anticipated in the next sixty days!

Credit is a profitable service to the merchant only when accounts are paid promptly, and this can be accomplished to a great extent by continuous and persistent effort and courteous treatment on the part of the merchant. I have always believed (and still believe) in according just as courteous treatment to customers who owe us past due accounts as I accorded them at the time they asked us for credit, or we solicited their accounts.

Our customers are human; they suffer reverses the same as we do, and the less we ruffle their feelings, the better opportunity we have of collecting accounts due us. Be pleasant and persistent, but be firm and insist on payment of accounts when due.

In other words, if the account is due not later than the 10th of the month, and payment is not made by the 15th, a courteous letter, a telephone call, or perhaps a personal visit will have the desired results.

Our prompt paying customers keep our doors open, our shelves and counters filled with seasonable merchandise, and constantly make a beaten path to our store. They buy our merchandise at regular price; are always glad to recommend our store to their friends and acquaintances, and from this source alone we receive about 50 per cent of our applications for credit, and usually such applicants make good customers. In other words, "A satisfied customer is our best advertisement."

Banks, as a rule, do not experience much difficulty in collecting their notes when due, because they insist on a definite understanding with the customer at the time the loan is made, as to when payment will be due.

In fact, they impress the due date of the note very forcibly. I have many times had customers say to me, "I can't pay you this pay day, Mr. Sosebee, I have to pay a note at the bank."

How different the average retail credit store. Some few of us half-heartedly say to a customer at the time the account is opened, that we expect payment by the 10th of the month following purchase. And then most of us do not even mail a second statement until the account is sixty days old!

This lack of business method on our part leads customers to believe, and possibly correctly so, that we do not expect them to pay the account as agreed, and as a result, maybe we will receive a \$5.00 or \$10.00 payment on the account, with additional charges equal to and sometimes greater than the payment made. Result: Slow Paying Account.

I would like very much to see each state association formulate some definite credit policy applying to all members of that association. If, for instance, Dallas has a credit policy of not mailing second statements until an account is ninety days old; Fort Worth sixty days; and San Antonio, thirty days, a customer moving from one city to another has to be educated to the credit policy observed by the merchants in the city to which he has recently moved.

In others words, it is my opinion it will work to the best interest of all concerned if we have one and the same definite credit policy and terms. Insist on prompt payment of accounts on or before the 10th of the month following purchase, and refuse to Okeh additional charges to accounts not paid by the 10th.

We know an account thirty days old is much easier to collect than an account ninety days old, and that an account six months old is almost uncollectible. This fact should be sufficient reason for our insisting on a definite understanding as to when an account is to be paid.

If further evidence is necessary for insisting on prompt payment of accounts, from a monetary standpoint, calculate the interest on your Accounts Receivable for one year at 6 per cent. It will surprise you and I feel sure the amount will be in excess of your charge-off for the year.

The overbuying customer, that is, the customer who buys beyond the limit agreed upon at the time the account was opened, is due largely to a lack of proper credit control in the Authorization Department. If we open an account for \$25.00, which is agreed to by the customer and then Okeh charges to the amount of \$40.00, our customer concludes, and justly so, that we do not care whether she buys \$25.00 or \$40.00.

How different with our banks. If the same customer opens a checking account with our local bank and de-

## Credit Granters! Read for Profit --

### "Credit Department Salesmanship"

By BARTLETT and REED

Authors of

"Retail Credit Practice"

In this new book, these two recognized authorities tell how credit interviewing, granting or *even refusing of credit*, collection of debts, credit service, customer control, can all help to get more customers into the store to buy more goods.

Complete, authoritative discussions of such important topics as:

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### National Retail Credit Association

1218 Olive St.

St. Louis, Mo.



posits \$25.00 and writes checks aggregating more than \$25.00, some of them will be returned with the notation "Insufficient Funds."

I know some of you are ready to say we cannot control our customer accounts as the bank controls checking accounts. May I ask, "Why not?" Surely, we are not going to admit the banker has more backbone, is smarter or that we cannot adopt the same system for authorizing charges as he used in keeping record of customers' checks.

Why can't we place charge tickets, as they are authorized, in Customer Ledgers, or if you prefer, dual ledgers, which enable us to know by a moment's calculation the exact amount a customer owes, at any time we have a charge to the account, or have reason to refer to the account for any other purpose?

It is my opinion, Credit Control as outlined above will give you the desired information when you want it, and before the customer has left the store with your merchandise.

At least 50 per cent of our Slow Accounts, as well as P. & L. Accounts can be traced directly or indirectly to authorization of charges when we did not know how much the customer owed at the time of making additional purchases. In our store, we are usually three or four days behind with posting, and for this reason it is either a matter of guess or trusting to memory, as to the approximate amount due, when we have additional charges to the account.

Accounts properly controlled very seldom cause trouble, but when we permit a customer to buy more than she can pay, we are more to blame than the customer. The reason: She is shopping in several departments of the store, and usually several days in the month, and purchases add faster than the average customer can mentally calculate. We have tickets, we should know, not guess, or trust to memory.

I know you are ready to say if we do not sell them some other store will, and we will lose their business. My suggestion for overcoming this objection is to immediately report to the retail merchants association all accounts which have reached their agreed limit and are not paid by the 10th of the month.

In Wichita Falls, we have a meeting every Thursday night of merchants and credit men, and these meetings are well attended. At each meeting we discuss one letter, and if we find some customer who has purchased \$25.00 from us, \$40.00 from another store, and \$20.00 from another, in most cases we group these accounts and secure a loan for the customer from our local finance company, which gives them ten months in which to repay in small monthly payments. We have saved many customers in this manner whose accounts would of necessity been very slow, if not charged off.

#### **Moving From One City to Another**

Under this heading we find from a recent survey that 42 per cent of customers in any given city will move

each year (some of them more than one move) and 25 per cent actually move to other cities.

It always costs money to move, and customers seem to think the merchant should wait for the money due him until they have paid their moving expenses. Many accounts which formerly paid promptly, or at least satisfactorily while the customer was living in Wichita Falls, have become very slow when they move to another city. Fully 50 per cent of our P. & L. Accounts are in this group.

If the customer moves to a city where there is a live credit association which is supported 100 per cent by the retail merchants (and whole-hearted support is the pulsating life blood of any Association), it is a very easy matter to keep him from securing additional credit until he has paid us.

However, in this day of keen competition of credit terms and our eagerness to sell desirable customers, we sometimes sell them before securing a report from the city from which they have recently moved, and then our troubles begin.

My suggestion, and I try to live up to it in our business, is to decline to sell any customer until a report is received from his former place of residence and I want this report to come through the retail merchants association. They are reliable and unbiased and they give us the benefit of the credit experience of all merchants who sold the applicant, rather than two or three he may have paid promptly, and to whom he refers at the time he asks for the privilege of a charge account.

#### **Halfway Letters**

By this I mean letters that should not be mailed to a customer, as they are usually cold stereotype forms, which do not appeal or apply to but few if any of your customers. In writing customers with reference to their accounts, be pleasant and courteous; say something, and mean what you say. Try and use some human element in your letters just as you would if you were talking to them in person. Be brief and express what you want to say in simple words.

Personally, I prefer a frank statement, such as: "Your April account of \$20.00 is unpaid. Has it been overlooked? If you have no special reason for withholding payment, your remittance is expected, and will be appreciated."

I believe it is desirable to handle customers individually, as a letter that will bring money from one customer will drive another away, will make one smile and pay and another swear and maybe never pay. Therefore, it is necessary to know your customers and write letters that do not offend. The offensive letter seldom brings in your money and never brings a customer back to your store.

I appreciate fully, it is almost impossible to know all your customers personally, but it is very easy to know whether they are teachers, preachers, lawyers, doctors, or whatever their profession or trade may be and write letters accordingly.



# A Real Credit Man Is a Stay to Business

By W. A. HOUSE

Division Credit Manager, Firestone Tire & Rubber Co., Akron, Ohio



IN THESE days when all values are being tested and redetermined—both property and personnel—the Credit Man is brought to the witness stand.

In his examination by the Judge of Good Business and before the Jury of Net Profits, the questioning and cross questioning will quickly bring out whether he is just another Credit Man or if he is a Real Credit Manager.

The world of commerce is moving fast today and its needs are too great to listen to the details of the verdict "Only another Credit Man," but the world stands with open arms to the Credit Manager who can now step out before the spotlight and meet the challenge of reality.

Nor is there much to gain in delaying to recite the pitiful—if not tragic—story created during the past two or three years by the abuse of credit, except as the study of history guides us aright in the future, and to project the necessitous word "zeal" into any man who henceforth will deserve the title of Credit Manager—for no business can exist and prosper from this day on without "credit" is respected—for credit is confidence—the most sacred thing in business.

Now for an understanding of what a Real Credit Manager is. Of course he of necessity must have a good background of education and experience which peculiarly fits him for his work. However, many men well educated and of broad experience permitted the abuses of credit to pass over their desks during recent years—causing numerous failures—small and colossal—and in many businesses this malady is still rampant, causing a shaking of their financial and sales structures.

It will continue to strew its failures by the roadside and cause endless expenditure of brains, energy and capital to save countless others from the same tragic end unless credit men realize their unparalleled opportunity and measure up to their full responsibility.

What more does the Credit Man need? What more to be real?

In the first place he must be educated and true to his title—a Credit Manager: Credit, a mutual trust—and Manager, one who leads, advises on and directs this mutual trust.

Beyond that he needs four outstanding traits as the

motive power to impel and compel him to function properly. They are:

Right-mindedness  
Endurance  
Ambition  
Leadership

Added to these marks of basic importance and combined with them, a *Real Credit Manager* requires four processes of activity to make him balanced to the point of being a *Stay to Business*. They are:

See  
Think  
Act  
Yield

To fully understand this twin set of principles and processes—it might seem to the casual reader that in their simplicity no further interpretation would be necessary—unless it be a somewhat reluctant reference to Webster or Roget to thoroughly clarify the meaning of these eight words.

Yet in view of the remarks which introduced this article one has cause to wonder how many credit men or credit managers sense the full significance of their opportunity and responsibility.

Experience of many years prompts the writer of these comments to seek the indulgence of his readers to consider briefly the meaning in which these words are used—the understanding of which is necessary to an intelligent conception of the meaning of the subject of this article, "*A Real Credit Manager Is a Stay to Business*."

## The Four Traits of Mind

*Right-mindedness* means truth-minded or dealing only with "simon pure" facts.

*Endurance* is used in the sense of persistence in the midst of adversity—to outlast or outlive whatever obstacles beset one's path.

*Ambition*: A zeal or ardor to do a service for people beyond the accomplishment of the average person—in fact to the full extent of one's possibilities.

*Leadership*: In a threefold use—foresight, direction and counsel.

(Continued on page 29.)



# WASHINGTON BULLETIN



R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

## FOREWORD

IT HAS been noticeable for many years that when unfavorable conditions develop in particular industries an insistent cry arises to remedy such conditions by legislation. It was with a view to remedying conditions in the bituminous coal industry that on January 7, Senator Davis introduced S. 2935 providing for consolidations, mergers, and cooperative marketing of producers of bituminous coal and creating a Bituminous Coal Commission to regulate these mergers and the industry generally.

The bill was both strongly supported and strongly opposed but it now appears that the bituminous coal industry has been working out its own solution without resort to legislation.

If the Appalachian Coal case, arguments on which were heard on August 1 to August 12, at Asheville, North Carolina, before three Circuit Judges sitting as a District Court (Judges John J. Parker, Elliott Northcott and Morris A. Soper), is decided favorably to the coal producers and that decision is upheld by the Supreme Court many important bituminous coal problems will have been solved without legislation, but at that a special committee of the Judiciary Committee of the Senate, composed of Senators Henry D. Hatfield of Huntington, West Virginia (Chairman), James J. Davis of Pittsburgh, Pennsylvania, and Carl Hayden of Phoenix, Arizona, are delving into this question during the recess of Congress.

## Legislative

Attention is called to the fact that S. 4921 and S. 4923, introduced by Senator Hastings of Delaware, on June 15, 1932, were not intended in any way to take the place of S. 3866, the general revision of the bankruptcy act introduced by Senator Hastings on February 24.

The first of the two bills mentioned relates to "Corporate Re-organization," and is in effect the sections on that subject of S. 3866. S. 4923 is intended, as Senator Hastings stated at the time, to relieve many small debtors who are in financial difficulty and was introduced in the Senate by Senator Hastings at the request of Representative Tom McKeown of Ada, Oklahoma, who introduced on the House side H. R. 12753 to the same effect.

It has much the same effect or at least it is designed to secure to debtors who wish to pay their debts the requisite time in much the same manner as section 75 of the Hastings bill provides.

## Departmental

(a) Tabulations on the fifth semiannual retail credit survey began on August 23, and were completed on August 30, and the material has been sent to the public printer. The number of firms represented in this survey is slightly less than the previous ones, notwithstanding the fact that special effort was made to have the co-operating merchants send in their reports.

One obstacle encountered was the large number of firms going out of business or changing to an entirely cash basis. A reason frequently given by the stores for not cooperating this time was that they had reduced their personnel to the point where they either had no one able to prepare the report or did not have time for the work. In most cases they said they would be glad to co-operate again when business became better.

(b) On August 27, 1932, the Interstate Commerce Commission valued as of June 30, 1917, fifteen years prior thereto, the properties of the Louisville and Nashville Railroad Company. As the years have rolled on since the La Follette Railroad Valuation Law was passed, it has become increasingly evident that the act has not worked out in the way that its advocates thought it would.

Critics of this railroad valuation law say that Congress should have appropriated an adequate amount of money to make these valuations within a comparatively short period of time or else should not have passed the law at all. It is said that the information developed has not been of much service for rate making purposes.

The Louisville and Nashville properties by this decision were valued at something over three hundred millions of dollars.

(c) Retail credit granters will be much interested in that section of *Retail Distribution of the Fifteenth Census*, relating to ownership groups of department stores, just from the United States Government Printing Office. The report analyzes fourteen groups owning 137 stores representing a gross sales volume of over a billion dollars annually.

It would pay any retail credit granter to obtain a copy of this report. Other recent reports from the same

sources are retail reports on retail distribution of hardware and related chains, shoe chains, and drug store chains.

## Court Decisions

(a) The Commissioner of Patents has recently decided that the words "free wheeling" are not susceptible of trade mark registration.

In handing down this opinion that the words "free wheeling" cannot be registered the Commissioner based his decision on two Supreme Court decisions, the latter of which, *Canal Company v. Clark*, 13 Wall. 311, holds as follows:

"No one can claim protection for the exclusive use of a trade mark or trade name which would practically give him a monopoly in the sale of any goods other than those produced or made by himself. If he could, the public would be injured rather than protected, for competition would be destroyed.

"Nor can a generic name, or a name merely descriptive of an article of trade, of its qualities, ingredients, or characteristics, be employed as a trade mark and the exclusive use of it be entitled to legal protection."

(b) Whether or not attorneys' fees are deductible expenses from income tax returns is a subject which has been conducive of much litigation.

The U. S. Circuit Court of Appeals, 3rd Circuit, in *Commissioner of Internal Revenue v. Trust Co., Executor*, on August 3, decided one such case. The decedent for whose estate the trust company was executor, had been an officer of a steel company and as such it was a part of his duties (in conjunction with the treasurer of the concern) to sign and make affidavit to federal income tax returns of the corporation.

These returns were attacked by the Government and the decedent and the treasurer indicted upon a criminal charge of making a fraudulent income tax return. The trial occupied nearly four weeks and resulted in the acquittal of the taxpayer, the decedent, and his co-defendant.

As the taxpayer had expended about \$160,000 for expenses in connection with his trial, including \$150,000 for attorney's fees, he naturally deducted the expense from his income tax return but the Commissioner of Internal Revenue disallowed the deduction. Upon the matter being thrashed out before the Board of Tax Appeals that Board reversed the Commissioner and allowed the deduction and the matter then reached the Circuit Court of Appeals for decision.

That body affirmed the decision of the Board of Tax Appeals and in doing so based its decision upon *Kornhauser v. U. S.*, 276 U. S. 145. In that case the Supreme Court held that such deductions are allowable if they are directly connected with or approximately result from the taxpayer's business, being in that sense a business expense.

Applying that principle to the instant case the Circuit Court of Appeals held that signing an income tax return and making affidavit to the same was a necessary part of

the taxpayer's occupation and that the counsel fees resulting from a prosecution brought about by that income tax return was incident to a trade or business and, therefore, deductible.

## A Real Credit Man—

(Continued from page 27.)

### The Four Processes of Mind

*See:* Both viewing with the eyes—(by which means psychologists tell us we receive 84 per cent of all our impressions)—and perceiving or knowing—the summing up of which is Vision.

*Think:* To really go through the definite mental process of reflecting, wondering and planning, so that some undesirable thing or situation be changed for the better by the application of the thought effected.

*Act:* Not alone from the point of view of putting thoughts into action but accelerated by a feeling of duty, which is a well-developed conscience.

*Yield:* Used both in the meaning of gaining and surrendering. Naturally to gain worth-while and desirable results and to surrender or overcome undesirable, painful and unprofitable conditions.

All technical comments on credits have been purposely omitted from this discourse—with the thought that it is not so much wrong credit technique that has put us into the present plight, but the lack of the larger perspective herein outlined in brief.

Surely everyone who considers himself a Credit Manager today or is privileged to occupy a position made eloquent with that title can well afford to ponder seriously over the fact that "*A Real Credit Manager is a Stay to Business.*"

## New Consumer Credit Organization Gets Under Way

The stockholders of the new consumer credit corporation, for enabling the bureaus of the National Retail Credit Association to handle all types of consumer reporting, met in St. Louis, September 9 and 10. The following officers and directors were elected:

President—A. D. McMullen, Oklahoma City, Okla.

Vice-president—J. D. Hays, Harrisburg, Pa.

Treasurer—D. J. Woodlock, St. Louis, Mo.

Secretary and General Manager—G. H. Hulse, St. Louis, Mo.

Directors—J. N. Keeler, Portland, Ore.

W. V. Trammell, Birmingham, Ala.

G. C. Morrison, Toledo, Ohio.

C. M. Reed, Denver, Colo.

A. P. Lovett, Kansas City, Mo.

St. Louis was selected as the location for the Home Office, and District Offices were authorized for New York, Atlanta, San Francisco, Dallas and St. Louis.

## Welcome Publicity

EDITOR'S NOTE.—The following editorial, from *The Christian Science Monitor* of August 15, is interesting to every credit executive. Forcibly it brings home to retail customers their obligation to pay bills promptly:

### Prompt Paying Pays

"Charge it" has come to be one of the most costly phrases in the English language. Charging is easy. Paying is hard. Putting off payment for a time, provided one pays eventually, may seem a harmless bit of carelessness until one realizes the slow-payment habit (and it generally is nothing but a habit) is costing communities, manufacturers, and retailers billions of dollars annually.

In the United States alone it has been estimated that \$15,000,000,000 worth of credit is frozen in unpaid bills. Most of this huge sum will eventually be paid in full. Negligence and thoughtlessness, rather than dishonesty, have brought about this serious situation.

Every charge transaction is in the nature of a loan to the customer by the retailer. When a customer holds a bill unpaid for thirty, sixty, ninety days or longer, he has thrown upon the retailer the burden of paying it for him. The retailer must pay the manufacturer for the merchandise. Each month he must also pay regularly salaries, rent and other overhead expenses.

Should the retailer not have the needed funds, then his recourse is to the bank where he borrows at interest. In case the banks are unable to lend, then the retailer not large enough to carry slow-pay customers may eventually be forced out of business, dismissing employees and disrupting the flow of trade through the community.

On the other hand, when customers pay their bills promptly, the retailer has, over and above his regular expenses, a sum to use for cash buying. Manufacturers are eagerly seeking retailers who can pay their bills within ten days. Those retailers can command the best quality and assortments at the lowest prices, and are able to pass on to customers such advantages.

The manufacturer also benefits by these cash transactions. With funds on hand he is able to retain his skilled employees, pay cash for raw materials, and often employ more labor. Certain large mill owners have stated recently that they could sell much more merchandise to retailers if they could extend to those retailers more credit—but that they cannot do.

Should those same retailers who desire credit receive payment from even a part of their slow-pay customers they could order the needed merchandise immediately. Such additional orders would enable the mills to operate nearer to full capacity and to hire more workers.

By paying every bill promptly one can assist retailers to serve him with better merchandise at lower prices, can help the manufacturer to operate with lower cost for working capital, can aid toward increasing employment all along the line, and so help to bring about more prosperous conditions generally—besides maintaining his own credit.

### POSITION WANTED

Credit Manager, 8 years' experience in wholesale credits and office management, also 2 years' retail credits. Best references. Box 91, Credit World.

## Charge Interest On Past Due Accounts?

(Continued from page 16.)

The applicant is informed that we are pleased to extend credit for a fair and reasonable period but when an account is carried beyond that time we must make a charge for it.

As the 10th has become generally accepted as the final due date the customer is told that we will expect payment by that time. Should this not be convenient we are always willing to arrange a later date to suit the customer, but whatever date is agreed upon we will expect the customer to pay in full at that time.

When the applicant states that payment between the 1st and 10th is not convenient we suggest a 15th of the month dating of his bills with the 25th as the final due date for deduction of the bookkeeping charge.

As a result our charge accounts fall into two groups—those that are mailed statements on the 1st and those that are billed on the 15th.

Every customer understands that deduction of the bookkeeping charge is allowable only when remittance is made by the agreed due date.

I find it a very simple matter and it takes but a few moments' time to explain our terms to the applicant. Thus our customers, being thoroughly familiar with our terms and the reason for the charge, cannot in any way construe it as a "gouge" on our part.

They readily recognize the fairness of this charge, and because 5 per cent of the total monthly purchases is of sufficient size, on an average account, to be well worth considering, they make an extra effort to settle promptly and in full to escape its payment.

## Two Good Books On Retail Credit!

### Retail Credit Procedure

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Based on the actual experiences of these successful credit men, this book solves the problems which confront retailers from the moment the prospective customer says, "I would like to open a charge account." *Official Textbook of N. R. C. A. Courses.*

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# Mexico Is Becoming Credit-Minded!

**An interesting letter from Adolf Grasso, Secretary, San Antonio Retail Merchants Assn., who while vacationing in Mexico, was instrumental in forming our first credit bureau in that country**

**W**E HAVE expected for some time that the progressive retailers of Mexico would adopt the credit policies which have made the charge account a most important feature of retail business in the United States. The following letter from Adolf Grasso, Secretary of the San Antonio (Texas) Retailers, will interest all our members. Mr. Grasso has long been a leader in National Retail Credit Association affairs and his interest is manifest when, while on a vacation, he spent time to organize a credit bureau in Mexico. His letter follows:

"While I am spending a few weeks' vacation in Mexico City, I succeeded in starting a retail credit bureau, which may however require another three or four months or longer before it will function, and not until it is in a position to give satisfactory service will it be open for business. It is the intention of its owners to affiliate with the National Retail Credit Association and if it is possible we will organize a retail credit men's association and affiliate the same with the National.

"The big task here is to educate the merchants first and get them to realize the benefits of cooperation in the matter of credit information. Conditions in that respect are just the opposite here of what they are in the United States.

"I have interviewed many bankers and merchants here and find they are opposed to the idea of giving their credit experience for the benefit of any other merchants, especially for the benefit of a competitor. One of the leading merchants told me that his firm would answer all credit inquiries favorably even if the person inquired on was owing a past due account and further credit was not extended by his firm. Most merchants will answer that the person inquired about does not appear to be known on their books.

"Such are credit conditions here at the present time. However, after explaining our system of credit reporting, and telling them of the splendid cooperation which we receive from our merchants in the United States so far as credit information is concerned, I have found a few merchants willing to back up the newly organized bureau to the limit. With their cooperation, it is hoped that this bureau will get a good start and become a permanent institution.

"This bureau will start compiling records within the next two weeks or as soon as the lists are returned. The necessary forms and blanks have been printed and rating cards and files are in readiness. While the work will be pushed, it will take months before the bureau will be ready to operate.

"May I tell you a few interesting things about retail business and everyday life in Mexico? This wonderful city of more than a million inhabitants, located in the Tropic Zone at an elevation of 7,500 feet in a climate of an average temperature of 60 degrees Fahrenheit, hardly ever over 75 degrees Fahrenheit, cool and pleasant all the year, is an ideal place to live in and to do business in.

"Of course, business conditions here are as different from ours, as are the people and the climate. All retail stores in the principal business sections, and also banks, offices, etc., close every afternoon from 1 to 4 o'clock. This is known as 'Siesta Time.'

"All business houses close at 7 p.m. and they do not only close their doors at night, but all show windows are securely closed up with an iron or steel curtain which is pulled down and locked. All business houses, therefore, are dark and there are no windows or doors visible. No chance for so-called 'window shopping' after closing time!

"While the regular stores are required to close every afternoon for 'Siesta Time' and on Sundays, there are thousands of so-called 'little markets' in tents and sheds, on streets in certain sections of the city which are permitted to stay open all the time, Sundays included. They are selling the cheaper grades of merchandise to laborers and Indians, but they sell everything from food, blankets, dresses, shoes, and on to bird cages.

"Credit is extended to well-known persons only, and each firm has its own system of investigating credit risks. The majority of retail buyers do not expect credit and do not ask for it. Even many who have good incomes never buy on credit. A central credit bureau for retail business is an unknown thing in all Mexico. However credit losses are very low and compare favorably with ours.

"To say the least, this is an interesting city. Here you see passing by some of the finest automobiles and the next moment a group of barefooted Indians wrapped in blankets. In the near-by country towns and fields the old time ox teams are seen everywhere.

"From this city one can see the snow-covered peaks of the volcanoes Popocatepetl and Ixtaccihuatl, and a little further on in the direction of Puebla the majestic Mount Citlaltepétl, the second highest peak in North America. I cannot begin to tell you of the many interesting things to be seen here, still I must mention the ancient pyramids and temples near this city, second only to those of old Egypt."

## Personalized Collection Methods

(Continued from page 19.)

getting it from his brother members. He asked me to kindly wait over to one side of the hall and shortly he returned with the necessary cash. I did not lose his friendship, but our firm has been recommended by him at different times since then.

### Proper Selling to Cut Losses

Since our firm has fully cooperated with the credit bureaus and realized that in the selling, if properly sold, collections are not so difficult, we are fast eliminating most of the troubles of hanging onto the slow-payer's coat tail to get what rightfully belongs to us. Whether we sell on cash or deferred payments we do not care to deal with slippery people.

When a prospective customer calls us we do not hesitate to make all inquiries that are necessary to know that our dealing with this prospect will be on the basis of fair bargaining, truthful agreements, and honest settlements. If it does not look that way to us we do not want the job.

I feel that within the next two years most all of the heating contracting business will be conducted along this same line of reasoning. Our idea of business is to sell on a strictly cash basis, but we realize that this cannot be done in this age. So, for the convenience of those who cannot pay all cash, people who are in the habit of paying as they agree to, people whose intentions are to pay and have the necessary income or ability to pay and are not living beyond their means, we gladly offer time payments.

Of course we know that when we have a large volume of business, and are selling on time payments, we will have some trouble keeping them all actively tuned up to prompt payments; but we feel that it is well worth the trouble provided we begin with the customer correctly at the start.

We have seen the very best of friends part ways by misunderstood agreements about payments and I feel that to avoid such misunderstandings thorough investigations should be made of each applicant desiring work done, and no guess work.

Do they pay what they agree, or do they not? Do they pay promptly or drag along until forced to pay? Do they beat a merchant, then search for another sucker who is not wide-awake to such "dead beats"?

### Getting Credit Information

I have our prospect fill out a paper of reference giving a business reference, bank reference, relatives, character reference, the fuel company they trade with, other firms which they deal with, and as much other information as is possible to get. Anyone who will not give references as to his honesty I beware of. We then get reports from the credit associations and feel pretty safe with collections if the job is well sold, and well investigated.

When people are in need of heating work, as time means much to us in emergency heating contracting, we

get all reports as quickly as possible so that we may give our decision without delay, whether we take the job or not.

After we complete a job we immediately send a statement so that if there is any complaint we want to know it. Then, the first of the month we send another statement. There is no "hokus-pokus" about collecting accounts.

It is just plain common sense and plenty of determination to insist on the payment of honest debts.

The heating firm should investigate thoroughly and satisfactorily as to the paying habits of prospects and make an iron-clad contract, stating exactly what work is to be done, fully specify material to be used, and nothing else to be done that is not stated in the contract; also state exactly how payments are to be made and when. The contractor should see that this contract is properly signed by man and wife, or all who are owners of the property, who are having the work done.

If the job is well sold it will stay sold, and the account will not be so hard to collect.

---

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